

TATA STEEL



Tata Steel UK Limited
Report & Accounts 2018

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A. Directors and advisors

Directors

NK Misra
H Adam
T Farquhar
JLM Fischer
H Matheson
J Phillips
B Jha

Secretary and registered office

SV Gidwani
30 Millbank
London
SW1P 4WY

Company Number

2280000

Auditor

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

B. Strategic report

Introduction

The Directors have pleasure in presenting the strategic report of Tata Steel UK Limited ('TSUK' or the 'Company') for the year ended 31 March 2018.

The Company has chosen to present the financial statements in accordance with FRS 101 '*Reduced Disclosure Framework*' 'FRS 101', a framework for entities who apply the presentation, recognition, measurement and disclosure requirements of EU-adopted IFRS but also ensure compliance with any relevant legal requirements applicable to it.

Principal activities

TSUK is a subsidiary within the Tata Steel Europe Limited ('TSE') Group and its activities are managed as an integral part of the parent's operations. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India.

The principal activities are the manufacture and sale of steel strip products throughout the world. The Company produces carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the UK at Port Talbot.

The Company owns, or has access to, TSE Group sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for distribution and further processing. These are supported by various agency agreements. There is an extensive network in the EU, while outside the EU there are sales offices in over thirty countries, supported by a worldwide trading network and a number of processing and service centres.

Strategic activities

During the last 2 years TSE has made significant progress implementing some significant strategic changes in TSUK. These changes represent key steps towards achieving a more sustainable future for TSUK. Key changes implemented to date included the following:

- On 31 May 2016 TSE's European Long Products business was sold to Greybull Capital LLP. The Long Products business has been disclosed in the financial statements within discontinued operations (see Note 7).
- On 1 May 2017 TSUK's Speciality Steels business was sold to Liberty Speciality Steels Ltd ('Liberty Steel') and Liberty House Group Pte Ltd as guarantor. The Speciality Steels business was classified as held for sale at 31 March 2017 and disclosed within discontinued operations (see Note 7).
- On 20 September 2017 TSL and thyssenkrupp AG ('tk') signed a memorandum of understanding to create a new 50:50 joint venture company called *thyssenkrupp Tata Steel*. TSUK will feature as part of the contributed group in the joint venture.
- On 31 March 2017 the British Steel Pension Scheme ('BSPS') was closed to future accrual and, with effect from 1 April 2017, future pension accrual for eligible UK employees was provided through a contract based defined contribution group personal pension arrangement.
- On 11 September 2017, the UK Pensions Regulator confirmed that it had approved a Regulated Apportionment Arrangement ('RAA') in respect of the BSPS which would separate the Scheme from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550m from TSUK was made to the BSPS and a 33% non-controlling interest in TSUK was issued to the BSPS under the terms of a shareholders' agreement.
- TSUK has agreed to sponsor a new pension scheme subject to certain qualifying conditions around size and funding being met. As the new scheme has lower future annual increases for pensioners and deferred members compared to the BSPS, it has an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to either the new scheme or remain in the BSPS which will transfer to the Pension Protection Fund ('PPF'). It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme on 28 March 2018.

B. Strategic report

- On 31 July 2017 TSUK completed the disposal of its 42- and 84-inch pipe mills in Hartlepool plus working capital to Liberty.
- On 8 May 2018 TSE announced its intention to divest the following businesses in TSUK: Cogent, Firsteel, Engineering Steels Service Centre (Wolverhampton), and Tata Steel Istanbul Metals (Colors).

As a consequence of the above changes the Company's balance sheet position improved significantly in the year, decreasing its net liabilities from £1,974m at 31 March 2017 to £88m at 31 March 2018.

Business review

The Company's revenue from continuing operations of £2,384m (£1,987m in 2016/17) was 20% higher than the previous year due to an increase in global steel prices, caused by a further improvement to EU steel selling prices due to increased raw material prices and the European Commission implementing some anti-dumping duties for specific products. Selling prices also continued to benefit from a favourable sterling/euro exchange rate.

Liquid steel production from continuing operations in 2017/18 at 3.6mt (2016/17: 3.6mt) which was broadly in line with the prior year.

The operating profit from continuing operations (including exceptional items) in 2017/18 was £1,592m (2016/17: £307m loss), £1,899m better than 2016/17. The operating profit from continuing operations during the year includes an exceptional non-cash pension credit of £1,640m arising from the BSPS RAA and the resulting implementation of a less valuable benefit structure in the new BSPS compared to the old BSPS. This compared to an exceptional charge of £413m in 2016/17 in respect of a curtailment strain to the BSPS following its closure to future accrual on 31 March 2017. (see Note 28).

Excluding these exceptional items in both years the operating result from continuing operations in 2017/18 deteriorated to a loss of £48m compared to a profit of £106m in 2016/17 due to lower steel margins caused primarily by increased raw material costs, some operational issues related mainly to blast furnace instability and increased emission rights costs.

The Company's net finance charges from continuing operations in 2017/18 of £174m were £10m higher than the previous year due mainly to increased charges on loans from TSL group companies and on trade debtor securitisation arrangements with Tata Steel Global Procurement Company Pte Limited ('Proco'), a subsidiary of TSL (see Note 5). Taxation from continuing operations was a charge of £42m in 2017/18 (2016/17: £87m) due primarily to a deferred tax charge in reserves relating to actuarial movements on the BSPS.

The profit after taxation from continuing operations in 2017/18 was £1,376m (2016/17: £558m loss).

The profit after taxation from discontinued operations of £8m (2016/17: £362m loss) relates mainly to the divestment of TSE's Long Products business which was divested on 31 May 2016.

The balance sheet on page 13 of the financial statements shows the Company's financial position at the end of the financial year. Net liabilities decreased from £1,974m at 31 March 2017 to £88m at 31 March 2018 due to the profit after taxation from total operations of £1,384m, partly offset by comprehensive losses of £170m (2016/17: £400m) caused mainly by actuarial movements on the BSPS and an increase of £672m to the company's share premium account.

As noted above, the Company's activities are managed as an integral part of TSE's operations. The performance of TSE is discussed in the TSE Annual Report & Accounts, which does not form part of this report and the Company's directors do not believe that further and separate discussion of other key performance indicators for the Company (or discussion thereof) is necessary for an understanding of the development, performance or position of the Company.

Principal risks and uncertainties

The other principal risks and uncertainties affecting the Company include health, safety, environmental and other compliance matters, the general economic conditions in the UK and Europe, the impact of China and other exporters, long term competitiveness, pensions, exchange rates and access to raw materials & energy. Further information and discussion on

B. Strategic report

these principal risks and uncertainties are included in the TSE Annual Report & Accounts.

Employees

Details of the number of employees and related costs can be found in Note 4 to the financial statements.

There are well established and effective arrangements at each business location for communication and consultation with works councils and trade union representatives to systematically provide employees with information on matters of concern to them. Well developed policies and procedures have operated in all parts of the Company for a considerable time for the purpose of consulting and negotiating with trade unions, the European works council and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular 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 become disabled while working for the Company.*

The principal pension scheme for TSUK is the BSPS, which is the main scheme for previous and present employees based in the UK. This came into existence on 28 March 2018 as part of the RAA agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the PPF. Further details on the BSPS and the above changes are provided in Note 28.

Gender pay

In the UK, under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, employers with more than 250 employees were required to publish their gender pay gap

information by reporting the percentage differences in pay between their male and female employees. TSUK published its results on the UK Government website and also included the full gender pay report on the Company's external internet site.

Relative to national and industry statistics TSUK's gender pay gap (1.7% mean gender pay gap and 4.34% median gender pay gap) is at the lower end. Although only 10% of TSUK's employees are female the company recognises that its female colleagues are represented at every level within its organisation because it believes having the right people in the right job is important.

Research and development

The Company continues to invest in research and development in order to bring about changes in product and process developments. These are discussed further in the TSE Annual Report and Accounts.

Modern Slavery Act

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or its supply chains.

The board of TSE has approved a statement setting out the measures taken by the Group during the financial year ended 31 March 2018. The statement will be issued by TSE on behalf of itself and its relevant UK subsidiary companies and published on the TSE website.

Future developments and subsequent events

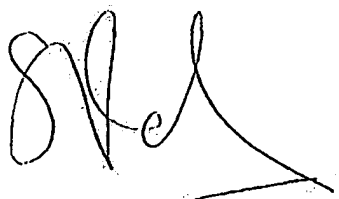
On 8 May 2018 TSUK announced its intention to divest its Cogent, Kalzip, Firsteel, and Engineering Steels Service Centre (Wolverhampton) businesses.

On 31 May 2018, TSE received an additional loan of €635m from TSGH. The proceeds from this loan were used to make a partial prepayment on the SFA. The loan from TSGH to TSE is a short term loan and interest is charged at Euribor +3.58% which is the same as the applicable rate on the SFA.

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Starting from 1 June 2018 the United States of America ('USA') has imposed additional duties of 25% on imports of Steel from the European Union, Mexico and Canada. TSE have been working with their customers in the USA to try and mitigate the effect of these tariffs. However currently the effect of these new tariffs on TSUK is unknown.

Approved by the Board of Directors and signed on behalf of the Board



SV Gidwani
Company Secretary
Registered Office:
30 Millbank,
London,
SW1P 4WY
28 June 2018

C. Directors' report

The Board

The directors of the Company are listed on page 2.

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' & Officers liability insurance.

Dividends

No dividend was paid during the current or prior year and the Directors do not recommend the payment of a final dividend (2017: £nil).

Political donations

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

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

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

- a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) the director has 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 auditor is 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.

Auditor

PwC LLP have indicated their willingness to be reappointed as auditor to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM. PwC LLP in India is the auditor of the ultimate parent company, TSL.

Information disclosed in the Strategic report

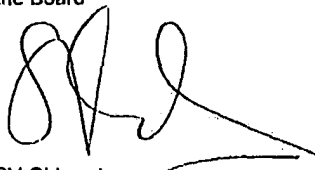
The following information has been disclosed in the strategic report:

- A review of the business for the year (see page 4);
- Policies on employment of disabled persons, recruitment, training, employee involvement, communication and consultation (see page 5);
- Principal risks and uncertainties (see page 4); and
- Research & development activities (see page 5).

Going concern

The directors have assessed the future funding requirements of the Company, and have compared them to the level of available borrowing facilities, including working capital facilities authorised and supported by the ultimate parent, TSL, and assessed future financial performance against the borrowing facilities as set out in Note 17 to the financial statements, and as supported by a commitment from TSL. As part of these assessments, the directors considered a number of scenarios including the impact of lower steel margins than had been assumed in the Company's Annual Plan, which may be caused by the introduction of trade barriers and tariffs, the requirement for a material debt financing to be obtained by the proposed thyssenkrupp Tata Steel joint venture, whilst recognising the significant milestones still required in relation to the latter, and the mitigating actions the Company could take to limit any adverse consequences. Having undertaken this work, the directors are of the opinion that the Company has access to adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

Approved by the Board of Directors and signed on behalf of the Board



SV Gidwani

Company Secretary

Registered Office:

30 Millbank,

London,

SW1P 4WY

28 June 2018

D. Directors' responsibilities statement on the Company's financial statements

Statement of directors responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 judgements 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 of the ultimate parent company are responsible for the maintenance and integrity of the of 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 of Directors and signed on behalf of the Board



SV Gidwani
Company Secretary
Registered Office:
30 Millbank,
London,
SW1P 4WY
28 June 2018

E. Independent auditor's report to the members of Tata Steel UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tata Steel UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2018; the Income statement and Statement of comprehensive income, and the Statement of changes in equity for the year then ended; the presentation of accounts and accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to

continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

E. Independent auditor's report to the members of Tata Steel UK Limited

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with

Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
28 June 2018

F1. Income statement

For the financial year ended 31 March 2018

	Note	Continuing Operations			Discontinued Operations (Note 7)	Total Operations
		Before Exceptional Items £m	Exceptional Items (Note 4) £m	After Exceptional Items £m	£m	£m
Revenue	1	2,384	-	2,384	19	2,403
Operating costs	2	(2,432)	1,640	(792)	(13)	(805)
Operating profit/(loss)		(48)	1,640	1,592	6	1,598
Finance costs	5	(203)	-	(203)	-	(203)
Finance income	5	29	-	29	-	29
Profit/(loss) before taxation		(222)	1,640	1,418	6	1,424
Taxation charge	6	(42)	-	(42)	-	(42)
Profit/(loss) after taxation		(264)	1,640	1,376	6	1,382
Profit from disposal of discontinued operations	7	-	-	-	2	2
Profit/(loss) after taxation		(264)	1,640	1,376	8	1,384

For the financial year ended 31 March 2017

	Note	Continuing Operations			Discontinued Operations (Note 7)	Total Operations
		Before Exceptional Items £m	Exceptional Items (Note 4) £m	After Exceptional Items £m	£m	£m
Revenue	1	1,987	-	1,987	202	2,189
Operating costs	2	(1,881)	(413)	(2,294)	(344)	(2,638)
Operating profit/(loss)		106	(413)	(307)	(142)	(449)
Finance costs	5	(186)	-	(186)	-	(186)
Finance income	5	22	-	22	-	22
Loss before taxation		(58)	(413)	(471)	(142)	(613)
Taxation charge	6	(87)	-	(87)	-	(87)
Loss after taxation		(145)	(413)	(558)	(142)	(700)
Loss recognised on the measurement to fair value less cost to sell		-	-	-	(22)	(22)
Loss from disposal of discontinued operations	7	-	-	-	(198)	(198)
Loss after taxation		(145)	(413)	(558)	(362)	(920)

All references to 2018 in the Financial statements, the presentation of accounts and accounting policies and the related Notes 1 to 32 refer to the financial year ended 31 March 2018 or as at 31 March 2018 as appropriate (2017: the financial year ended 31 March 2017 or as at 31 March 2017).

As required by IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', TSUK's Speciality Steels business has been classified as a discontinued operation. Speciality Steels was classified as held for sale on 31 March 2017 and subsequently disposed on 1 May 2017. Turnover, operating profit/(loss) and loss before taxation for all periods presented exclude the results of this business, which is shown as a separate component of the income statement under "discontinued operations" after continuing operations.

Notes and related statements forming part of these accounts appear on pages 21 to 44.

F2. Statement of comprehensive income

For the financial year ended 31 March

	Note	2018 £m	2017 £m
Profit/(loss) after taxation		1,384	(920)
Items that will not be reclassified subsequently to the income statement:			
Actuarial losses on defined benefit pension and other post-retirement plans	28	(206)	(478)
Income tax relating to items not reclassified	6	35	80
Items that may be reclassified subsequently to the income statement:			
Gains/(losses) arising on cash flow hedges	24	1	(2)
Other comprehensive loss for the year net of tax		(170)	(400)
Total comprehensive profit/(loss) for the year		1,214	(1,320)

All items of other comprehensive income relate to continuing operations.

Notes and related statements forming part of these accounts appear on pages 21 to 44.

F3. Balance sheet

As at 31 March			
	Note	2018 £m	2017 £m
Non-current assets			
Intangible assets	8	45	48
Property, plant and equipment	9	393	264
Investments and loans to subsidiary and fellow group undertakings	10	832	842
Investments in joint ventures and associated undertakings	10	-	-
Other non-current assets	11	47	13
Retirement benefit assets	28	2,229	218
Current tax asset	19	1	-
		3,547	1,383
Current assets			
Inventories	13	513	473
Trade and other receivables	14	240	316
Cash and short term deposits	15	28	59
Assets classified as held for sale	16	-	118
		781	966
TOTAL ASSETS		4,328	2,349
Current liabilities			
External borrowings	17	9	5
Inter-group borrowings	17	600	608
Trade and other payables	18	1,557	1,586
Current tax liabilities	19	12	6
Short term provisions and other liabilities	20	131	74
Liabilities classified as held for sale	16	-	38
		2,416	2,285
Non-current liabilities			
Inter-group borrowings	17	1,831	1,837
External borrowings	17	15	16
Retirement benefit obligations	28	9	9
Provisions and other liabilities	20	133	149
Other non-current liabilities	21	10	13
Deferred income	22	2	4
		2,000	2,028
TOTAL LIABILITIES		4,416	4,323
NET LIABILITIES		(88)	(1,974)
Equity			
Called up share capital	23	2,241	2,241
Share premium account		777	105
Capital redemption reserve		47	47
Hedging reserve		1	-
Accumulated deficit		(3,154)	(4,387)
TOTAL EQUITY		(88)	(1,974)

Approved and authorised for issue by the Board and signed on its behalf by:


NK Misra

28 June 2018

Tata Steel UK Limited

Registered No: 2280000

Notes and related statements forming part of these accounts appear on pages 21 to 44.

F4. Statement of changes in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Other components of equity £m	Accumulated deficit £m	Total equity £m
Balance as at 1 April 2016	2,241	52	47	-	2	(3,049)	(707)
Loss for the year	-	-	-	-	-	(920)	(920)
Other comprehensive loss for the year	-	-	-	-	(2)	(398)	(400)
Total comprehensive loss for the year	-	-	-	-	(2)	(1,318)	(1,320)
Issue of ordinary shares	-	53	-	-	-	-	53
Balance as at 31 March 2017	2,241	105	47	-	-	(4,367)	(1,974)
Profit for the year	-	-	-	-	-	1,384	1,384
Other comprehensive loss for the year	-	-	-	-	1	(171)	(170)
Total comprehensive loss for the year	-	-	-	-	1	1,213	1,214
Issue of ordinary shares	-	672	-	-	-	-	672
Balance as at 31 March 2018	2,241	777	47	-	1	(3,154)	(88)

During the year the Company converted 224,130,030,650 50p Ordinary shares into 224,130,023,983 deferred shares and 6,667 ordinary shares, both with an aggregate nominal value of 1p each.

In addition the Company issued 3,333 A Ordinary shares and a further 709 Ordinary shares with an aggregate nominal value of 1p each. These shares were non-dilutive in nature.

Notes and related statements forming part of these accounts appear on pages 21 to 44.

F5. Presentation of accounts and accounting policies

I Basis of preparation

TSUK is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The functional and presentational currency of the Company is sterling.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

- (i) IFRS 7, 'Financial instruments: Disclosures';
- (ii) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' in relation to the disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities;
- (iii) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of certain assets (including intangible assets and property, plant and equipment);
- (iv) IAS 7, 'Statement of cash flows';
- (v) IAS 8, 'Accounting policies, changes in accounting estimates and errors' in relation to the disclosure of standards not yet effective; and
- (vi) IAS 24, 'Related party disclosures' requirements to disclose key management compensation and to disclose related party transactions with Tata Steel group companies.

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

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2017 except for IAS 2 'Inventories'. From July 2017 TSUK changed the cost formula in its inventory accounting policy from 'first-in, first-out' ('FIFO') to weighted average cost in order to align to the cost formula used by its ultimate parent company, TSL. However, the effect of this change in accounting policy was not material in both the current and prior year. Accordingly, there has been no restatement of the prior year results for this change in accounting policy.

Group accounts have not been prepared as the Company is a an indirect subsidiary of TSE, which has prepared consolidated accounts for the year ended 31 March 2018.

As set out in the Directors' report on page 7, the Board of Directors has assessed the ability of the Company to continue as a going concern and these financial statements have been prepared on a going concern basis.

II 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.

Critical accounting judgments and the key sources of estimation or uncertainty in applying the Company's accounting policies arise in relation to impairment of property, plant and equipment and intangible assets, assets held for sale and discontinued operations, the recognition of deferred tax assets, retirement benefits, provisions created for rationalisation and related costs, environmental remediation, legal claims and recoverability of loan receivables. 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.

A significant part of the Company's capital is invested in property, plant and equipment and intangible assets. Determining whether these assets are impaired requires an estimation of value in use of the cash generating unit ('CGU') to which the asset relates. Value in use calculations require an estimation of future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Further details on the Company's impairment review and key assumptions are set out in Note 9.

The recognition of non-current assets (or disposal groups) as held for sale is dependent upon whether its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Significant judgement is required to assess whether the sale of the assets (or disposal group) is highly probable. Speciality Steels was recognised as a disposal group in the prior year following the signing of a definitive sales agreement on 9 February 2017.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. Judgement is required to assess whether the component represents a separate major line of business or geographical area of operation, and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation. Speciality Steels was classified as discontinued operations during the March 2017 financial year following a coordinated plan to dispose of these businesses which did not form part of the Company's core Strip Products business. Further information can be found in Note 16.

The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur, based on the Company's annual plans and future forecasts. Further information can be found in Note 12.

The Company's retirement benefit obligations are subject to a number of judgements including discount, inflation and mortality rates. Significant judgement is required when setting these criteria and a change in each of these assumptions would have a significant impact on the amounts recorded within the Company's balance sheet and income statement. The Company sets these judgements based on previous experience and third party actuarial advice. The Company's main defined benefit scheme, the BSPS, is in a net surplus position at the balance sheet date on an IAS19 basis, which is not immediately realisable. The final amounts realised may differ from those recognised within the balance sheet. Further details on the Company's retirement benefit obligations, including a sensitivity analysis of key judgements are included within Note 28.

F5. Presentation of accounts and accounting policies

Estimates in calculating provisions for rationalisation and related costs, environmental remediation and legal claims are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of those costs. Further details on the Company's redundancy and rationalisation provisions can be found in Notes 3 and 20.

Judgement has been exercised by the Company when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Further information surrounding exceptional items can be found in Notes 3 and 28.

The Company has a number of loan balances, both receivables and payables, with other entities within the TSE Group. Judgement is required in determining whether loan receivables are recoverable. Where indications exist that loan receivables may not be recoverable, including an assessment of events occurring after the balance sheet date, then appropriate provisions are charged to the income statement to write down the receivables to the recoverable amount.

The detailed accounting policies for each of these areas are outlined in section III below.

III Critical accounting policies

(a) Property, plant and equipment

Property, plant and equipment is recorded at fair value 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. From 1 April 2009 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 include 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 profit and loss as incurred. Assets in the course of construction are depreciated from the date on which they are ready for their intended use.

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

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

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

(b) Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

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

	Life Years
Freehold and long leasehold buildings that house plant and other works buildings	25
Other freehold and long leasehold buildings	50
Plant and machinery:	
Iron and steelmaking (maximum)	25
IT hardware and software (maximum)	8
Office equipment and furniture	10
Motor vehicles	4
Other (maximum)	15
Patents and trademarks	4
Product and process development costs	5

At each reporting period end, the Company reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order 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 upon the Company's long-term weighted average cost of capital ('WACC'), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying

F5. Presentation of accounts and accounting policies

amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Company must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. An impairment loss is recognised for any initial or subsequent write-down of a disposal group to fair value less costs to sell.

Where a disposal group represents a separate major line of business or geographical area of operation, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, then it is treated as a discontinued operation. The result of the discontinued operation are presented on the face of the income statement, with all prior periods being presented on this basis.

Where intercompany transactions have occurred between continuing and discontinued operations, these have been eliminated against discontinued operations except for interest costs on intercompany financing arrangements that will not continue after disposal. These have been eliminated against continuing operations.

(d) 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 year. Taxable profit differs from net profit as reported in the income statement 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 amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in

subsidiaries, joint ventures and associates where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(e) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at least triennially and updated at each reporting period end. The Company applies IAS 19 'Employee Benefits' (Revised in 2011) to recognise all actuarial gains and losses directly within retained earnings, presenting those arising in any one reporting period as part of the relevant statement of comprehensive income. In applying IAS 19, in relation to retirement benefits costs, the current service cost and net interest cost have been treated as a net expense within employment costs.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit asset or liability recognised in the balance sheet represents the fair value of scheme assets less the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined benefit pension scheme, the BSPS. This provides additional clarity on the role of trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. Based on the new BSPS scheme rules as at 31 March 2018 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the new BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(f) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and

F5. Presentation of accounts and accounting policies

relevant those provisions are discounted to take into consideration the time value of money.

In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been made at the end of the reporting period. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

Provisions are also created for long-term employee benefits that depend on the length of service, such as long service and sabbatical awards, disability benefits and long-term compensated absences such as sick leave. The amount recognised as a liability is the present value of benefit obligations at the end of the reporting period, and all movements in the provision (including actuarial gains and losses or past service costs) are recognised immediately within profit and loss.

TSUK participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased at cost, and recognises a provision in relation to carbon dioxide quotas if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in a given period. Any surplus is only recognised once it is realised in the form of an external sale.

(g) Other non-current investments and loan receivables

Non-current investments and loan receivables are stated at cost. Provisions are made if events or circumstances indicate that the carrying amount may not be recoverable. Income from non-current investments comprises dividends declared up to the balance sheet date and, where relevant, is shown before deduction of overseas withholding taxes.

IV Other accounting policies

(a) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business net of discounts, VAT and other sales related taxes.

(b) Government grants

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

(c) Insurance

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

In addition, the Company provides for insurance charges for historic industrial exposures of personnel. These provisions are subject to regular review and are adjusted as appropriate; the value of final insurance settlements is uncertain, as is the timing of expenditure.

(d) Interest

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

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment, is expensed as incurred.

(e) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the end of each reporting period. Income statement items and cash flows are translated into sterling at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Company enters into forward contracts and options (see (f) below for details of the Company's accounting policies in respect of such derivative financial instruments). In preparing the financial statements, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. The impact of revaluations of foreign currency loans is included within operating costs.

(f) 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. The detailed accounting treatment for such items can differ, as described in the following sections:

(i) Trade receivables

Trade receivables are initially recorded at their fair value and are subsequently measured at their amortised cost, as reduced by appropriate allowances for any impairment. Provisions for impairment are made where there is a risk of non-payment, taking into account ageing, previous experience and general economic conditions, and credit insurance. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement. Subsequent recoveries of amounts previously provided for are credited to the income statement. Where trade receivables are sold prior to settlement by customers, they are derecognised with the respective default deductions and discount costs simultaneously charged to income statement.

(ii) Investments

Investments are initially measured at fair value, including transaction expenses. They are classified as either available for sale or as loans and receivables. For available for sale investments, gains and losses arising from changes in fair values are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are measured at amortised cost using the effective interest rate method.

F5. Presentation of accounts and accounting policies

(iii) Financial liabilities

Financial liabilities are classified according to the terms of the individual contractual arrangements.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at their fair value which is generally the proceeds received, net of direct issue costs. These borrowings are subsequently measured at amortised cost.

(v) Trade payables

Trade payables are initially recorded at fair value and are subsequently measured at their amortised cost.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derivative financial instruments and hedge accounting

In the ordinary course of business the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts. The instruments are employed as economic hedges of transactions included in the accounts or forecast for firm contractual commitments. Contracts do not generally extend beyond 6 months.

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 re-measured at its current fair value. For forward currency contracts are determined based on market forward rates at the end of the reporting period. The Company seeks to adopt hedge accounting for these currency contracts. This means that, at the inception of each hedge there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The methodology of testing the effectiveness and the reliability of this approach for testing is also considered and documented at inception. This effectiveness is assessed on an ongoing basis throughout the life cycle of the hedging relationship. In particular, only forecast transactions that are highly probable are subject to cash flow hedges.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit and loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in the income

statement. Gains or losses from re-measuring the associated derivative are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is reclassified to net profit or loss for the period.

Certain components, such as terms and conditions, embedded in other financial instruments or other host contracts are accounted for as separate derivatives and carried at fair value. These components are only separately accounted for when their risks and characteristics are not closely related to those of the host contract, the host contract itself is not carried at fair value with gains or losses reported in the income statement, and where a separate instrument with the same terms as the embedded component would itself meet the definition of a derivative.

(g) Intangible assets

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(h) Leases

The Company determines whether an arrangement contains a lease by assessing whether the fulfilment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to the Company in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for as such.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

(i) Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. Inventories of partly processed materials, finished products and stores are individually valued at the

F5. Presentation of accounts and accounting policies

lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

From July 2017 TSUK changed the cost formula in its Inventory accounting policy from 'first-in, first-out' ('FIFO') to weighted average cost in order to align to the cost formula used by its ultimate parent company, TSL. However, the effect of this change in accounting policy was not material in both the current and prior year. Accordingly, there has been no restatement of the prior year results for this change in accounting policy.

F6. Notes to the financial statements

For the financial year ended 31 March

1. Revenue – continuing operations

The Company's revenue and loss before taxation all arose from one class of business. An analysis of revenue by destination is shown below:

	2018 £m	2017 £m
UK	1,394	1,269
Europe	856	612
Rest of world	134	106
	2,384	1,987

2. Operating costs – continuing operations

	2018 £m	2017 £m
Costs by type:		
Raw materials and consumables	1,291	1,049
Maintenance costs (excluding own labour)	162	165
Other external charges (including fuels & utilities, hire charges and carriage costs)	374	331
Employment costs (Note 4)	(1,262)	818
Depreciation, amortisation and impairments (Notes 3, 8, 9 & 10)	65	52
Other operating items (including rents, rates, insurance and general expenses)	155	6
Changes in inventory of finished goods and work in progress	6	(126)
Own work capitalised	(1)	(1)
Profit on disposal of property, plant and equipment	(1)	(1)
Loss on disposal of subsidiary	3	1
	792	2,294

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Exceptionals £m	Total £m
Costs by type:				
Raw materials and consumables	1,291	-	-	1,291
Maintenance costs (excluding own labour)	162	-	-	162
Other external charges (including fuels & utilities, hire charges and carriage costs)	374	-	-	374
Employment costs (Note 4)	378	-	(1,640)	(1,262)
Depreciation, amortisation and impairments (Notes 3, 8, 9 & 10)	25	40	-	65
Other operating items (including rents, rates, insurance and general expenses)	154	1	-	155
Changes in inventory of finished goods and work in progress	6	-	-	6
Own work capitalised	(1)	-	-	(1)
Profit on disposal of property, plant and equipment	(1)	-	-	(1)
Loss on disposal of subsidiary	3	-	-	3
	2,391	41	(1,640)	792

Further analysis of restructuring and impairment costs is presented in Note 3.

F6. Notes to the financial statements

	2018 £m	2017 £m
The above costs are stated after including:		
Amortisation of intangible assets (Note 8)	6	10
Depreciation of owned assets (Note 9)	19	13
Impairment losses related to property, plant and equipment (Note 9)	30	29
Impairment losses related to investment in subsidiaries (Note 10)	10	18
Net exchange rate gains	(3)	(80)
Operating lease rentals:		
Plant and machinery	11	10
Leasehold property	14	18
Release of grants relating to revenue (Note 22)	(1)	(2)
Sales of emission rights	(11)	-
Provision for emission rights deficit (Note 20)	86	16
Costs of research and development (gross)	9	12
Recoveries on research and development	(24)	(2)

The analysis of auditors' remuneration is as follows:

	2018 £m	2017 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.4	0.6

The fees above reflect PricewaterhouseCooper LLP's (2017: Deloitte LLP) provision of services during the year ended 31 March 2018. Fees payable to PricewaterhouseCooper LLP and its associates for non-audit services to the Company are not disclosed because the financial statements of TSE disclose such fees on a consolidated basis.

3. Net restructuring and impairment costs – continuing operations

	2018 £m	2017 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	-	5
Pension curtailment costs (Notes 4 & 28)	-	1
Impairment losses related to property, plant and equipment (Note 9)	30	29
Impairment losses related to investment in subsidiaries (Note 10)	10	18
Other rationalisation costs	1	1
	41	54
Credits for restructuring and related measures:		
Redundancy and related costs (Note 4)	-	(3)
Other rationalisation costs	-	(1)
	-	(4)
Total net restructuring and impairment costs	41	50

4. Employees – continuing operations

	2018 £m	2017 £m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	305	320
Social security costs	33	35
Other pension costs (i)	40	47
Exceptional pensions items (Note 28)	(1,640)	413
As included in operating costs	(1,262)	815
Net redundancy, pension curtailments and related costs (included within restructuring costs)	-	3
	(1,262)	818

F6. Notes to the financial statements

The average number of employees during the year for continuing operations was 8,264 (2017: 8,437). This total includes operations staff of 6,940 (2017: 7,015), sales and marketing staff of 411 (2017: 403) and other staff of 913 (2017: 1,019).

Exceptional pensions items includes a net pension credit of £1,649m (2017: £413m charge) in respect of changes to the defined benefit BSPS (see Note 28) and £9m charge (2017: £nil) in respect of a provision for the PPF assessment costs. Prior year exceptional items included a non-cash curtailment strain of £413m arising from the closure of the BSPS pension scheme to future accrual on 31 March 2017.

The emoluments of Mr NK Misra, Mr JLM Fischer and Mr B Jha are paid by other companies within the TSE Group which make no recharge to TSUK.

Mr NK Misra, Mr JLM Fischer and Mr B Jha were directors of TSE and a number of fellow subsidiaries during 2018. It is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, their emoluments are disclosed in the aggregate of the directors' emoluments in the financial statements with which they have their primary employment contracts.

The remaining directors of TSUK are also executives of TSE. However, it is not practicable to allocate their emoluments between their services as executives of TSE and their services as directors of TSUK. The remuneration of the highest paid director is disclosed within the financial statements of TSE.

Retirement benefits accrued under defined benefit schemes to zero (2017: three) individuals who were directors during the period.

(i) Other pension costs can be further analysed as follows:

	2018	2017
	£m	£m
Other defined benefit scheme costs	(1)	47
Other defined contribution scheme costs (Note 28)	41	4
Total pension costs (Note 28)	40	51
Recharge of BSPS costs to LSUK	-	(4)
	40	47

5. Financing items – continuing operations

	2018	2017
	£m	£m
Interest expense:		
Bank and other borrowings	4	5
Finance lease interest	2	2
Interest on loans from other group companies	51	41
Interest on loans from parent undertakings	77	80
Discount on disposal of trade debtors within purchase agreement with group company	69	58
Finance costs	203	186
Interest income:		
Dividends from joint ventures (Note 29)	-	(1)
Dividends from group companies	(25)	-
Interest receivable on loans from parent undertakings	-	(17)
Interest receivable on loans from subsidiaries	(1)	(4)
Interest receivable on deferred proceeds (Note 7)	(3)	-
Finance income	(29)	(22)
	174	164

F6. Notes to the financial statements

6. Taxation – continuing operations

	2018 £m	2017 £m
Current year tax charge	1	-
Prior year tax charge	6	7
Current tax charge	7	7
Deferred tax charge (Note 12)	35	80
	42	87

The total income statement charge for the year can be reconciled to the accounting loss as follows:

	2018 £m	2017 £m
Profit(loss) before taxation from continuing operations	1,418	(471)
Profit/(loss) multiplied by the standard corporation tax rate of 19% (2017: 20%)	270	(94)
Effects of:		
Adjustments to current tax in respect of prior periods	6	7
Change in unrecognised losses	(159)	161
Change in unrecognised deductible temporary differences	(76)	-
Group relief surrendered free of charge	-	4
Other permanent differences	1	9
	42	87

In addition to the total taxation charged/(credited) to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £m	2017 £m
Relating to components of other comprehensive income:		
Actuarial losses on defined benefit pension plans and other post-retirement plans	(35)	(80)
	(35)	(80)

F6. Notes to the financial statements

7. Discontinued operations

On 2 August 2015 the Company disposed of the trade and assets of the Long Products business (a division of TSUK) by way of a hive down to a separate legal entity, LSUK. On 31 May 2016, the Company disposed of its subsidiary LSUK to Greybull Capital LLP.

On 1 May 2017, the Company disposed of the trade and assets of its Speciality Steels business (a division of TSUK) by way of a hive down to a separate legal entity Speciality Steel UK Limited, which was then sold to Liberty House Group on the same day. On 4 July 2017, the Group subsequently disposed of the trade and assets of its Speciality Chinese Business to Liberty House Group.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', these businesses have been classified as discontinued operations. The results of the discontinued operations in each of the periods are set out below:

		2018 £m	2017 £m
Revenue		19	202
Operating costs	(i), (ii), (iii)	(13)	(344)
Operating loss		6	(142)
Finance costs		-	-
Loss before taxation		6	(142)
Taxation charge		-	-
Loss after taxation		6	(142)
Loss recognised on the measurement to fair value less cost to sell		-	(22)
Profit/(Loss) from disposal of discontinued operations	(iv)	2	(198)
Profit/(Loss) after taxation from discontinued operations		8	(362)

Whilst finance costs, finance income and taxation are managed centrally on behalf of TSUK as a whole, amounts have been included as attributable to the discontinued operations above, on a reasonable and consistent basis, for the purposes of the presentation required by FRS101.

An impairment charge of £22m was incurred in 2017 when the assets and liabilities of the Speciality Steels business were transferred to held for sale (Note 16).

In the current year, a profit of £2m arose on the disposal of Speciality Steels Business, being the difference between the fair value of consideration received and the carrying amount of the net assets of the disposal group as at 1 May 2017.

In 2017, a loss of £198m arose on the disposal of the Long Products business, being the difference between the fair value of consideration received and the carrying amount of the investments in the disposal group as at 31 May 2016.

(i) Operating costs

	2018 £m	2017 £m
Costs by type:		
Raw materials and consumables	11	92
Maintenance costs (excluding own labour)	2	18
Other external charges (including fuels & utilities, hire charges and carriage costs)	9	47
Employment costs (Note 4)	6	72
Depreciation and amortisation	-	94
Other operating items (including rents, rates, insurance and general expenses)	(13)	31
Changes in inventory of finished goods and work in progress	(2)	(10)
	13	344

F6. Notes to the financial statements

	2018 £m	2017 £m
The above costs are stated after including		
Depreciation of owned assets	-	7
Depreciation of assets held under finance leases	-	1
Impairment losses related to property, plant and equipment (Note 9)	-	86
Operating lease rentals:		
Plant and machinery	-	3
Leasehold property	-	1
(ii) Net restructuring and impairment costs		
	2018 £m	2017 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 20)	-	1
Impairment losses related to property, plant and equipment (Note 9)	-	86
	-	87
Credits for restructuring and related measures:		
Other rationalisation costs (Note 20)	-	(1)
	-	(1)
Total net restructuring and impairment costs		00
(iii) Employees		
	2018 £m	2017 £m
The total employment costs were:		
Wages and salaries	4	58
Social security costs	1	6
Other pension costs	1	7
Net redundancy and related costs	-	1
	6	72
(iv) Profit on disposal		
	2018 £m	2017 £m
Consideration	(54)	(1)
Disposal of investment in subsidiaries (Note 10)	-	53
Waiver of net loan receivable	-	37
Additional fair value of net assets disposed	73	-
Transaction fees and other adjustments	1	8
BSPS Curtailment charge (Note 28)	-	101
Loss recognised in the prior year on the measurement to fair value less cost to sell	(22)	-
(Profit)/loss on disposal	(2)	198

The consideration of £54m consists of £44m in relation to deferred proceeds (Note 11 & 14), £7m of preference shares (Note 10) and £3m cash received. The deferred proceeds and preference shares were discounted to their fair value on recognition. Accordingly during 2018 £3m (2017: nil) has been recognised as income on the amortisation of the discounting relating to the deferred proceeds (Note 5).

F6. Notes to the financial statements

8. Intangible assets

2018	Computer software £m	Patents and trademarks £m	Total £m
Cost as at 1 April 2017	224	2	226
Additions	3	-	3
Cost as at 31 March 2018	227	2	229
Amortisation as at 1 April 2017	176	2	178
Charge for the period – continuing operations	6	-	6
Amortisation as at 31 March 2018	182	2	184
Net book value as at 31 March 2018	45	-	45
Net book value as at 31 March 2017	48	-	48

The remaining amortisation period for computer software is approximately 7 years (2017: 5 years).

9. Property, plant and equipment

2018	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost as at 1 April 2017	207	3,050	140	135	3,532
Additions	1	5	11	130	147
Disposals	-	(18)	(12)	-	(30)
Disposals of group undertakings	(5)	(65)	(7)	(2)	(79)
Transfers	4	83	(1)	(87)	(1)
Cost as at 31 March 2018	207	3,055	131	176	3,569
Depreciation as at 1 April 2017	195	2,940	127	20	3,282
Charge for the period - continuing operations	1	14	4	-	19
Impairment losses recognised during the period	-	14	4	8	26
Disposals	-	(18)	(11)	-	(29)
Disposals of group undertakings	(5)	(65)	(7)	(2)	(79)
Transfers	-	1	(1)	(1)	(1)
Depreciation as at 31 March 2018	191	2,886	116	25	3,218
Net book value as at 31 March 2018	16	169	15	151	351
Spares (net book value)	-	-	-	-	42
Net book value as at 31 March 2018	16	169	15	151	393
Net book value as at 31 March 2017	12	110	13	115	250
Spares (net book value)	-	-	-	-	14
Net book value as at 31 March 2017	12	110	13	115	264

(i)

As at 31 March	2018 £m
The net book value of land and buildings comprises:	
Freehold	12
Long leasehold (over 50 years unexpired)	1
Short leasehold	3
	16

F6. Notes to the financial statements

Which may be further analysed as:

Assets held under finance leases:

Cost	14
Accumulated depreciation	(10)
	4
Owned assets	12
	16

(ii)

As at 31 March	2018
	£m

The net book value of plant and machinery comprises:

Assets held under finance leases:

Cost	77
Accumulated depreciation	(73)
	4
Owned assets	165
	169

(iii)

As at 31 March	2018
	£m

The net book value of spares comprises:

Cost	272
Accumulated depreciation and impairment losses	(230)
	42

The company recognised an impairment charge of £30m (Note 3) in the current year (2017: £115m) against property, plant and equipment with £30m (2017: £29m) relating to continuing operations and £nil (2017: £86m) relating to discontinued operations (Notes 3 & 7). Included within the impairment charge of £30m was £4m for spares (2017: £8m). Of the impairment allocated against spares, £4m (2017: £2m) related to continuing operations and £nil (2017: £6m) related to discontinued operations.

Property, plant and equipment was tested at 31 March 2018 for impairment at that date where indicators of impairment existed. The outcome of this test indicated that the value in use of certain of the Company's property, plant and equipment, using a discount rate of 8.2% (2017: 7.8%), was lower than its carrying value. Accordingly, an impairment charge of £30m has been recognised in the year (2017: £115m). Impairments were recognised in CGUs that form part of continuing operations including Strip Products UK £nil (2017: £5m), Packaging UK £nil (2017: £9m), Tubes UK £20m (2017: £12m), Integrated Business units £10m (2017: £nil) and £nil (2017: £3m) in other smaller UK downstream businesses. The prior year impairment mainly related to the discontinued operations which included £86m for Speciality Steels.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's CGUs and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the remaining property, plant and equipment at the Strip Products UK business which had a carrying value at 31 March 2018 of £301m. At this site the value in use is dependent on sustaining the improvement to UK steel market margins and the implementation of a business transformation plan. A reasonably possible change in any of these key assumptions would increase the likelihood of impairment losses in the future.

Spares are shown at net book value. Due to the substantial number of items involved, and the many variations in their estimated useful lives, it is impracticable to give the details of movements normally disclosed in respect of property, plant and equipment.

(iv) There was £nil (2017: £nil) of borrowing costs capitalised in the period using a capitalisation rate of nil% (2017: nil%)

F6. Notes to the financial statements

10. Non-current investments

2018	Shares in subsidiary undertakings (i) £m	Loans to parent, subsidiary and fellow group undertakings (ii) £m	Interests in joint ventures and associates £m	Loans to joint ventures £m	Other investments (iii) £m	Total £m
Cost at 1 April 2017	1,161	186	5	20	-	1,372
Additions	-	26	-	-	7	33
Repayments	-	(33)	(2)	-	-	(35)
Cost at end of period	1,161	179	3	20	7	1,370
Provisions at 1 April 2017	430	75	5	20	-	530
Impairment charge during the period	(10)	-	-	-	-	(10)
Disposals	-	-	(2)	-	-	(2)
Provisions at end of the period	420	75	3	20	-	518
Net book value at 31 March 2018	721	104	-	-	7	832
Net book value at 31 March 2017	731	111	-	-	-	842

- (i) The carrying values of the Company's investments are tested annually for impairment. The outcome of the test at 31 March 2018 resulted in no impairment.
- (ii) Included in the above net book value of loans to parents, subsidiaries and fellow group undertakings at 31 March 2018 are loans of £86m (2017: £87m) which are non-interest bearing and have no fixed repayment date.
- (iii) Included in the additions to other investments are preference shares acquired in relation to the sale of Speciality Steels (£6m) and SAW Mills (£1m).

11. Other non-current assets

As at 31 March	2018 £m	2017 £m
Financial guarantees	10	13
Deferred proceeds (Note 7)	37	-
	47	13

12. Deferred tax

The following is the analysis of the deferred tax balances for balance sheet purposes:

As at 31 March	2018 £m	2017 £m
Deferred tax assets	-	-
	-	-

The following are the major deferred tax assets and liabilities recognised by the Company, and the movements thereon, during the current and prior reporting period.

2018	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2017	26	-	(36)	-	10	-
Credited/(charged) to income statement	44	204	(312)	33	(4)	(35)
Credited to equity	-	-	35	-	-	35
At 31 March 2018	70	204	(313)	33	6	-

F6. Notes to the financial statements

2017	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2016	48	154	(216)	-	14	-
(Charged)/credited to income statement	(22)	(154)	100	-	(4)	(80)
Charged to equity	-	-	80	-	-	80
At 31 March 2017	26	-	(36)	-	10	-

No deferred tax assets have been recognised at 31 March 2018 (2017: £nil). In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSUK Board approved budgets and forecasts. Following this evaluation, it was determined there would not be sufficient taxable income generated to realise the benefit of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of £2,179m (2017: £3,898m) which can be carried forward indefinitely.

Deferred tax assets have also not been recognised in respect of deductible temporary differences of £nil (2017: £450m) which do not carry an expiry date.

Finance (No.2) Act 2015 and the Finance Bill 2016 which have reduced the UK corporation tax rate to 19 per cent from 1 April 2017 and to 17 per cent from 1 April 2020, are reflected in the deferred tax balances.

Finance (No. 2) Act 2017 (substantively enacted 15 November 2017), which restricts the Group's ability to deduct interest in the UK and restricts the use of losses, is reflected in the deferred tax asset position at 31 March 2018.

13. Inventories

As at 31 March	2018 £m	2017 £m
Raw materials and consumables	213	165
Work in progress	160	164
Finished goods and goods for resale	140	144
	513	473

The value of inventory above is stated after impairment for obsolescence and write-downs to net realisable value of £26m (2017: £28m).

14. Trade and other receivables

As at 31 March	2018 £m	2017 £m
Trade receivables	38	84
Less: provision for impairment of receivables	(1)	(1)
	37	83
Amounts owed by immediate parent company	6	6
Amounts owed by parent undertakings	64	52
Amounts owed by group companies	58	114
Amounts owed by subsidiary undertakings	13	23
Derivative financial instruments (Note 24)	3	4
Derivative financial instruments owed by Group companies (Note 24)	1	-
Other taxation	8	-
External interest receivable	-	2
Prepayments	5	8
Deferred proceeds (Note 7)	10	-
Other receivables	35	24
	240	316

Details of the Company's credit risk are not disclosed because the financial statements of TSE disclose such details on a consolidated basis.

F6. Notes to the financial statements

15. Cash and short term deposits

As at 31 March	2018 £m	2017 £m
Cash at bank and in hand	23	54
Short term deposits	5	5
	28	59

16. Assets and liabilities held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

As at 31 March	2018 £m	2017 £m
Inventories	-	88
Trade and other receivables	-	52
Write down to fair value less costs to sell	-	(22)
Total assets classified as held for sale	-	118
Trade and other payables	-	33
Borrowings	-	1
Provisions and other liabilities	-	1
Retirement benefit obligations	-	1
Total liabilities classified as held for sale	-	36

On 1 May 2017, the Company completed the sale of its Speciality Steels business. As at 31 March 2017, the Speciality Steels disposal group had been classified as held for sale. Following this classification, a write down of £22m was recognised to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. The impairment was included in the income statement within discontinued operations (Note 7).

17. Borrowings

As at 31 March	2018 £m	2017 £m
Current:		
Intergroup:		
Amounts owed to parent undertakings	556	565
Amounts owed to group undertakings	44	43
	600	608
External:		
Obligations under finance leases	6	5
	6	5
	606	613
Non-current:		
Inter-group:		
Amounts owed to parent undertakings	940	894
Amounts owed to fellow group companies	10	10
Amounts owed to subsidiary undertakings	881	933
	1,831	1,837

F6. Notes to the financial statements

External:

Obligations under finance leases	15	16
	15	16
	1,846	1,853
Total borrowings	2,452	2,466

The board of the Company granted a guarantee in relation to the debt raised as part of the SFA entered into by Tata Steel UK Holdings Limited ('TSUKH'), Tulip UK Holdings (No.3) Limited and Tata Steel Netherlands Holdings BV in October 2014. This guarantee is supported by security over the assets of the Company. At the same time an indemnity was provided by TSUKH in respect of this guarantee.

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	£m	£m	£m	£m
Not later than one year	7	6	6	5
Later than one year but not more than five years	17	18	15	15
More than five years	-	1	-	1
	24	25	21	21
Less: future finance charges on finance leases	(3)	(4)	-	-
Present value of lease obligations	21	21	21	21

18. Trade and other payables

As at 31 March	2018	2017
	£m	£m
Trade payables	298	281
Amounts owed to group companies	1,079	1,009
Amounts owed to parent undertakings	143	151
Amounts owed to joint ventures (Note 29)	1	2
Other taxation and social security	11	20
Interest payable to parent undertakings	8	7
Derivative financial instruments (Note 24)	26	14
Capital expenditure creditors	61	33
Other payables	40	49
	1,667	1,566

Other payables include amounts provided in respect of insurances, holiday pay, other employment costs and sundry other items.

19. Current tax

As at 31 March	Assets	Liabilities
	£m	£m
2018		
UK corporation tax	1	12
	1	12
2017		
UK corporation tax	-	6
	-	6

F6. Notes to the financial statements

20. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Other (iii) £m	Total 2018 £m	Total 2017 £m
At 1 April 2017	36	91	96	223	259
Charged to income statement:					
Continuing operations	1	4	92	97	49
Discontinued operations	-	-	-	-	13
Released to income statement:					
Continuing operations	-	(6)	(14)	(20)	(49)
Discontinued operations	-	-	(9)	(9)	(1)
Utilised in period	(6)	(7)	(14)	(27)	(47)
Transferred to assets held for sale	-	-	-	-	(1)
At 31 March 2018	31	82	151	264	223
Analysed as:					
Current liabilities	6	-	125	131	74
Non-current liabilities	25	82	26	133	149

(i) Rationalisation costs include redundancy provisions as follows:

	2018 £m	2017 £m
At beginning of period	5	38
Charged to income statement:		
Continuing operations	-	5
Discontinued operations	-	1
Released to income statement:		(3)
Utilised during the period	(3)	(36)
At end of period	2	5

	2018 £m	2017 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	20	22
Environmental and other remediation costs at sites subject to restructuring/closure	8	9
Other	1	-
	29	31

(i) Although the precise timing in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within one year. At 31 March 2018 the rationalisation provision included £20m (2017: £22m) in respect of onerous leases on a discounted basis and £21m (2017: £25m) on an undiscounted basis.

(ii) The insurance provisions represent losses incurred but not yet reported in respect of risks retained by the Company rather than passed to third party insurers and include amounts in relation to certain industrial disease claims. All are subject to regular review and are adjusted as appropriate. The value of final insurance settlements is uncertain and so is the timing of expenditure.

(iii) Other provisions include £130m (2017: £55m) for environmental provisions. During the period there were charges to the income statement of £92m (2017: £36m) of which provision for emission rights amounted to £86m (2017: £16m). Other provisions also include product warranty claims for which the timing of any potential expenditure is uncertain. Provisions for employee benefits, which include long term benefits such as long service and sabbatical leave are subject to independent actuarial assessments.

F6. Notes to the financial statements

21. Other non-current liabilities

As at 31 March	2018 £m	2017 £m
Financial guarantees	10	13
	10	13

On 19 December 2007 the board of TSUK granted a guarantee in relation to the debt raised as part of the old SFA entered into by TSUKH, Tulip UK Holdings (No. 3) Limited and Tata Steel Netherlands Holdings BV. On 29 September 2010, the borrowings and lender commitments under the previous SFA were refinanced with the establishment of a new SFA. This was subsequently refinanced on 28 October 2014. This guarantee is supported by security over the assets of the Company. This guarantee is indemnified by TSUKH, therefore a receivable in relation to this is recognised in other non-current assets (Note 11).

22. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	Total 2018 £m	Total 2017 £m
At 1 April 2017	1	3	4	6
Released to the income statement	(1)	(1)	(2)	(2)
At 31 March 2018	-	2	2	4

23. Called up share capital

The share capital of the Company is shown below as at 31 March:

Authorised	2018 £m	2017 £m
249,999,999,990 ordinary shares of 1p each (2017: 4,999,999,998 of 50p each)	2,499	2,499
Allotted, called up and fully paid	2018 £m	2017 £m
224,130,023,983 deferred shares of 1p each (2017: nil)	2,241	-
7,376 ordinary shares of 1p each (2017: 4,482,600,612 of 50p each)	-	2,241
3,333 A ordinary shares of 1p each (2017: nil)	-	-

On 11 August 2017, as part of the RAA process, the Company converted 224,130,030,650 50p Ordinary shares into 224,130,023,983 Deferred shares and 6,667 Ordinary shares, both with an aggregate nominal value of 1p each.

In addition on 11 September 2017 the Company issued 3,333 A Ordinary shares with an aggregate nominal value of 1p each. On 29 September 2017 the Company issued 512 1p Ordinary shares with a further 197 1p Ordinary shares being issued on the 29 March 2018. These shares were non-dilutive in nature.

The holders of Ordinary shares are 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.

A Ordinary shares carry full rights in respect of profit distribution. In addition they are entitled to receive notice of general meetings but shall not be entitled to attend, speak or vote at any such meeting.

Deferred shares do not confer any right to receive notices of general meetings of the company or to attend, speak or vote at any such meeting, to vote on written resolutions to participate in any return of capital or to participate in the profits of the company by way of dividend, distribution or otherwise.

24. Financial instruments

The following table details the Company's financial instruments held at fair value:

As at 31 March	2018 £m	2017 £m
Derivative financial assets	4	4
Derivative financial liabilities	(26)	(14)
Total derivatives	(22)	(10)

F6. Notes to the financial statements

Derivative financial instruments used by the Company include forward exchange contracts and commodity contracts. These financial instruments are utilised to hedge significant future transactions and cash flows and in some cases these are subject to hedge accounting under IAS 39 'Financial Instruments; Recognition and Measurement'. The Company does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

The following table sets out the fair values of derivatives held by the Company at the end of the reporting period:

As at 31 March	2018		2017	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current:				
Foreign currency contracts	3	(26)	4	(13)
Commodity contracts	1	-	-	(1)
	4	(26)	4	(14)

The Company's derivative financial assets and liabilities are categorised as Level 2 and their valuation is based on future cash flows (estimated from observable data such as forward exchange rates and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties.

The fair value of derivative financial instruments that were designated as cash flow hedges at the end of the reporting period were:

As at 31 March	2018 £m	2017 £m
Foreign currency contracts	1	1
Commodity contracts	-	(1)
Cash flow hedge reserve	1	-

Amounts recognised in the cash flow hedge reserve are expected to affect the income statement within one year.

	2018 £m	2017 £m
Opening cash flow hedge reserve:	-	2
Amounts charged to the cash flow hedge reserve:		
Foreign currency contracts	-	1
Commodity contracts	1	-
Amounts transferred to the income statement:		
Commodity contracts	-	(3)
Closing cash flow hedge reserve	1	-

Ineffectiveness on cash flow hedges recognised in profit and loss was a charge of £nil in 2018 (2017: £nil).

25. Future capital expenditure

As at 31 March	2018 £m	2017 £m
Contracted but not provided for	61	35
Authorised but contracts not yet placed	114	67

At the end of the period there was £5m (2017: £16m) of future expenditure planned in relation to intangible assets which is included within the above.

F6. Notes to the financial statements

26. Operating leases

As at 31 March	2018 £m	2017 £m
Future minimum lease payments at the end of the period are:		
Not later than one year	48	59
Later than one year and not later than five	87	156
More than five years	24	29
	159	244

Of the total operating lease payments, £81m (2017: £143m) relates to the time charter hire of 4 (2017: 5) vessels by the Company's supplies and transport function. The lease period for these assets ranges from two to five years (2017: three to six years).

This includes the time charter hire of one vessel that has been novated to Proco as part of its provision of a full freight service to the Company on the basis that the menu pricing mechanism is designed to recover all costs incurred by Proco in the provision of that service to the Company, and the Company therefore effectively retains the liabilities under the lease contracts.

The Company has entered into an arrangement that includes the sub-letting of 2 (2017: 2) of the time charter hire vessels, representing £39m (2017: £55m) of the total operating lease payments above. The total of future minimum sublease payments expected under these sub-leases is £39m (2017: £55m) as shown below:

	2018 £m	2017 £m
Future minimum sub-lease receipts at the end of the period are:		
Not later than one year	13	15
Later than one year and not later than five	26	40
More than five years	-	-
	39	55

One vessel has been sublet to T S Global Procurement Co. Pte Limited ('Proco') but excluded from the sublet analysis above on the basis the cost is retained by the company under the freight services agreement with Proco.

27. Contingencies

As at 31 March	2018 £m	2017 £m
Guarantees given under trade agreements	9	6
Other	-	8

Dependent on future events, other current legal proceedings and recent significant contracts may give rise to contingencies and commitments that are not currently reflected in the above figures. There are also contingent liabilities in the ordinary course of business in connection with the completion of contractual arrangements.

28. Pensions and post-retirement benefits

Defined contribution schemes

The Company participates in defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Company at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to prior month contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2018 amounted to £42m (2017: £4m).

Defined benefit schemes

The principal pension scheme for TSUK is the British Steel Pension Scheme ('BSPS'), which is the main scheme for previous and present employees based in the UK. Benefits offered by this scheme are based on final pay and years of service at retirement. The assets of this scheme are held in a separately administered fund.

The BSPS was closed to future accrual on 31 March 2017. The IAS 19 impact of the closure of the scheme crystallised in 2017 a curtailment charge of £413m to the income statement with an increase to the scheme's liabilities for the same amount.

On 11 September 2017, the UK Pensions Regulator approved a Regulated Apportionment Arrangement ('RAA') in respect of the BSPS. The effect of the RAA was to legally separate the BSPS from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550m was made from TSUK to the BSPS and shares in TSUK, equivalent to a 33% non-controlling interest

F6. Notes to the financial statements

In the Company have been issued to the BSPS Trustee under the terms of a shareholder agreement. TSUK is also obligated to meet costs of £19m in connection with the RAA and estimated costs of £9m for the Pension Protection Fund ('PPF') assessment.

TSUK has agreed to sponsor a new pension scheme subject to certain qualifying conditions around size and funding being met. The new scheme has lower future annual increases for pensioners and deferred members than the BSPS, giving it an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to the new scheme or remain in the existing scheme which will transfer to the PPF. The outcome of this exercise confirmed that 69% of the existing BSPS membership had opted to transfer to the new scheme and 31% to the PPF. It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme (to be known as the British Steel Pension Scheme) on 28 March 2018. The assets were split on 28 March 2018 with 86% of the existing scheme's assets for members transferring to the new BSPS and 14% for members transferring to the PPF. No value has been included in the pension scheme's assets at 31 March 2018 for the new scheme's non-controlling interest in TSUK as the estimated equity value of TSUK is zero.

At 31 March 2018 the new scheme had an IAS 19 surplus of £2,229m. In accordance with IFRIC 14 the company has recognised 100% of the surplus as it has an unconditional right to a refund of the surplus. The income statement in 2018 includes a past service credit of £1,828m in respect of the members who chose to transfer to the new scheme due to the less valuable benefit structure in the new scheme compared to the old scheme, a settlement charge of £158m for those members who opted to join the PPF and costs of £21m in respect of legal, advisory and communication expenditure for the RAA process and the formation of the new scheme. In addition, the company has provisional costs of £9m for the PPF assessment of member benefits who have opted to transfer to the PPF. The net credit of £1,640m (2017: net charge of £413m) has been recognised in the financial statements as an exceptional item (see page 21).

It is anticipated that the transferred assets of the new BSPS are expected to be sufficient to pay the benefits to which switching members are entitled and will include a surplus that is likely to be sufficient to cover residual risks. These risks include economic risks (such as interest rate risk and inflation risk), demographic risks (for example that members will live longer than expected), and legal risks (that changes in legislation may increase liabilities). The Trustee will manage risk relative to the cash flow profile of the Scheme's liabilities with the aim that the Scheme should be able to pay members' benefits without needing contributions from TSUK. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to reduce interest rate risk, and investment in assets that are expected to be correlated to future inflation in the longer term to mitigate inflation risk. In particular, the Scheme's investment policy has regard for the maturity and nature of the Scheme's liabilities and seeks to match a large part of the Scheme's liabilities with secure bonds, whilst achieving a higher long term return on a small proportion of equity and other investments. However, the Scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.

Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included in the balance sheet and income statement can vary significantly with only small changes in these assumptions.

The key assumptions applied at the end of the reporting period for the purposes of the actuarial valuations were as follows:

2018	BSPS %	Other %
Salary growth ¹	n/a	n/a
Pension increases ²	2.10	2.10
Discount rate	2.60	2.60
Inflation	3.10	3.10

¹ The BSPS closed to future accrual on 31 March 2017.

² Where applicable a CPI assumption of 2.10% has been applied within the BSPS.

2017	BSPS %	Other %
Salary growth ³	1.50	1.50
Pension increases ⁴	3.10	3.10
Discount rate	2.40	2.40
Inflation	3.10	3.10

³ The BSPS assumption applied to capped pensionable earnings.

⁴ Where applicable a CPI assumption of 2.10% applied within the BSPS.

The discount rate is set with reference to the current rate of return on AA rated Sterling corporate bonds of equivalent currency and term to the scheme liabilities. Projected inflation rate and pension increases are long term predictions based, mainly, on the yield gap between long term fixed interest and index-linked gilts.

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans. For the BSPS the liability calculations as at 31 March 2017 use the Self-Administered Pension Schemes 2 (SAPS 2) base tables, S2NMA/S2DFA

F6. Notes to the financial statements

with the 2015 CMI projections with a 1.50% pa long term trend applied from 2007 to 2016 (adjusted by a multiplier of 1.15 for males and 1.21 for females). In addition, future mortality improvements are allowed for in line with the 2016 CMI Projections with a long term improvement trend of 1% per annum. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 87 years of age.

Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period:

Assumption	Change in assumption	Impact on BSPS liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.4%
Inflation	Increase/decrease by 10bps	Increase/decrease by 1.0%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 5.0%

The above sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the balance sheet.

Income statement costs

Under IAS 19, costs in relation to pension and post-retirement plans mainly arise as follows:

- The current service cost is the actuarially determined present value of the pension benefits earned by employees in the current period. No charge or credit is reflected here for any surplus or deficit in the scheme and so the cost is unrelated to whether, or how, the scheme is funded, and
- The net interest cost/(income) on the liability or asset is recognised in the balance sheet

These items are treated as a net operating cost in the income statement within employment costs.

Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of other comprehensive income. Examples of such variations are differences between the discount rate used for calculating the return on scheme assets (credited to the income statement) and the actual return, the re-measurement of scheme liabilities to reflect changes in discount rates, changes in demographic assumptions such as using updated mortality tables, or the effect of more employees leaving service than forecast.

Income statement pension costs arose as follows:

	2018 £m	2017 £m
Current service cost	11	92
Costs in respect of RAA	19	-
Costs of setting up new BSPS scheme	2	-
Net interest income	(12)	(38)
Curtailments	-	102
Past service (credit)/costs	(1,828)	413
Settlements costs	158	-
Defined benefit schemes	(1,650)	569
Defined contribution schemes	42	4
Total (credit)/charge for the period	(1,608)	573

Total pension costs disclosed above and included in the income statement are as follows:

	2018 £m	2017 £m
Continuing operations - exceptional pension items (Note 4)	(1,649)	413
Continuing operations - other pension costs (Note 4)	40	51
Discontinued operations - other pension costs (Note 7)	1	7
Pension curtailment costs (Note 3)	-	1
Curtailment strain on disposal of subsidiary company (Note 7)	-	101
Total (credit)/charge for the period	(1,608)	573

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The total net credit for the period includes a charge of £nil (2017: £1m) included within net restructuring costs and £nil (2017: £1m) in respect of discontinued operations. The actual return on plan assets for the above schemes was a gain of £151m (2017: £2,092m).

Plan assets

The asset classes include national and international stocks, fixed income government and non-government securities and real estate. The majority of the reported plan assets are located in UK and EU. The pension funds invest in diversified asset classes to maximise returns while reducing volatility. The percentage of total plan assets for each category of investment in the BSPS was as follows:

BSPS	2018 %	2017 %
Quoted:		
Equities - UK Entities	0.7	0.8
Equities - Non-UK Entities	7.3	8.5
Bonds - Fixed Rate	45.7	39.8
Bonds - Index Linked	32.0	42.5
Derivatives	0.2	0.2
	85.9	91.8
Unquoted:		
Real estate	11.5	8.5
Derivatives	(0.7)	(0.6)
Cash and cash equivalents	0.9	-
Other	2.4	0.3
	14.1	8.2
	100	100

Balance sheet measurement

In determining the amounts to be recognised in the balance sheet the following approach has been adopted:

- Pension scheme assets are measured at fair value (for example for quoted securities this is the bid-market value on the relevant public exchange), and
- Pension liabilities include future benefits that will be paid to pensioners and deferred pensioners, and accrued benefits which will be paid in the future for members in service taking into account projected earnings. As noted above, the pension liabilities are discounted with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the pension liability.

Amounts recognised in the balance sheet arose as follows:

2018	BSPS £m	Other £m	Total £m
Fair value of plan assets	11,205	-	11,205
Present value of obligation	(8,976)	(9)	(8,985)
Defined benefit asset/(liability)	2,229	(9)	2,220
Disclosed as:			
Defined benefit asset	2,229	-	2,229
Defined benefit liability - non-current	-	(9)	(9)
Arising from:			
Funded schemes	2,229	-	2,229
Unfunded schemes	-	(9)	(9)
2017	BSPS £m	Other £m	Total £m
Fair value of plan assets	15,032	-	15,032
Present value of obligation	(14,816)	(9)	(14,825)
Defined benefit asset/(liability)	216	(9)	207
Disclosed as:			
Defined benefit asset	216	-	216
Defined benefit liability - non-current	-	(9)	(9)
Arising from:			
Funded schemes	216	-	216
Unfunded schemes	-	(9)	(9)

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The movements in the present value of plan assets and defined benefit obligations in 2018 and 2017 were as follows:

2018	BSPS £m	Other £m	Total £m
Plan assets:			
At 1 April 2017	15,032	-	15,032
Interest income on plan assets	358	-	358
Return on plan assets (less than)/greater than the discount rate	(207)	-	(207)
Contributions from the employer	569	-	569
Benefits paid	(2,730)	-	(2,730)
Settlements	(1,817)	-	(1,817)
At 31 March 2018	11,205		11,205
Defined benefit obligation:			
At 1 April 2017	14,816	9	14,825
Current service cost	11	-	11
Cost in respect of RAA	19	-	19
Costs of setting up new BSPS scheme	2	-	2
Interest cost on the defined benefit obligation	346	-	346
Past service cost - plan amendments	(1,828)	-	(1,828)
Actuarial loss due to actuarial experience	472	-	472
Actuarial gain due to financial assumption changes	(473)	-	(473)
Benefits paid	(2,730)	-	(2,730)
Settlements	(1,659)	-	(1,659)
At 31 March 2018	8,976	9	8,985
2017	BSPS £m	Other £m	Total £m
Plan assets:			
At 1 April 2016	13,639	-	13,639
Interest income on plan assets	440	-	440
Return on plan assets greater than the discount rate	1,652	-	1,652
Contributions from the employer	56	-	56
Contributions from plan participants	12	-	12
Benefits paid	(767)	-	(767)
At 31 March 2017	15,032	-	15,032
Defined benefit obligation:			
At 1 April 2016	12,433	10	12,443
Current service cost	92	-	92
Interest cost on the defined benefit obligation	402	-	402
Past service cost – plan amendments	413	-	413
Past service cost - curtailments	102	-	102
Actuarial gain due to actuarial experience	(96)	-	(96)
Actuarial loss due to financial assumption changes	2,305	1	2,306
Actuarial gain due to demographic assumption changes	(80)	-	(80)
Benefits paid	(767)	(1)	(768)
Contributions from plan participants	12	-	12
Transfers to liabilities classified as held for sale	-	(1)	(1)
At 31 March 2017	14,816	9	14,825

Actuarial losses recorded in the Statement of Comprehensive Income for the period were £206m (2017: £478m).

F6. Notes to the financial statements

29. Related party transactions

The table below sets out details of transactions which occurred in the normal course of business between the Company and its joint ventures, joint arrangements are considered as joint ventures for reporting purposes.

	2018	2017
	£m	£m
Amounts reported within the income statement:		
Purchases from joint ventures	5	9
Dividends from joint ventures (Note 5)	-	1
Amounts reported within the balance sheet:		
Amounts owed to joint ventures (Note 18)	1	2

30. Events after the balance sheet date

On 8 May 2018, TSUK announced its intention to divest its Cogent, Kalzip, Firststeel, and Engineering Steels Service Centre (Wolverhampton) businesses.

On 31 May 2018, TSE received an additional loan of €635m from TSGH. The proceeds from this loan were used to make a partial prepayment on the SFA. The loan from TSGH to TSE is a short term loan and interest is charged at Euribor +3.58% which is the same as the applicable rate on the SFA.

Starting from 1 June 2018 the United States of America ('USA') has imposed additional duties of 25% on imports of Steel from the European Union, Mexico and Canada. TSE have been working with their customers in the USA to try and mitigate the effect of these tariffs. However currently the effect of these new tariffs on TSUK is unknown.

31. Ultimate and immediate parent company

Corus Group Limited is the Company's immediate parent company, which is registered in England and Wales. TSE and TSUKH are intermediate holding companies, registered in England and Wales, with TSUKH the smallest group to consolidate these financial statements.

TSL, a company incorporated in India, is the ultimate parent company and controlling party and the largest group to consolidate these financial statements.

Copies of the Report & Accounts for Corus Group Limited, TSUKH and TSE may be obtained from the Secretary, 30 Millbank, London, SW1P 4WY.

Copies of the Report & Accounts for TSL may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

32. Details of related undertakings

A list of the Company's subsidiary, joint venture and associated undertakings (direct and indirect) as at 31 March 2018 pursuant to the requirement of The Company, Partnership and Groups (Accounts and Reports) Regulation 2015.

The subsidiary undertakings, joint ventures and associates of the Company at 31 March 2018 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings

Steel producing, further processing or related activities:

Canada

Cogent Power Inc. (iii) (iv)

845 Laurentian Drive, Burlington, Ontario, Canada, L7N 3W7

Germany

Catnic GmbH (ii) (iii)

Am Leitzelbach 16, Sinsheim, 74889, Germany

Greece

Tata Steel International Hellas SA (i) (iii)

5, Pigis Avenue, Melissia, 15127, Athens, Greece

India

Tata Steel International (India) Limited (i) (iii)

412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India

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Ireland (Republic of)

Gamble Simms Metals Limited (ii) (iii)

Lister Tubes Limited (ii) (iii)

Stewarts & Lloyds Of Ireland Limited (ii) (iii)

Walkersteelstock Ireland Limited (ii) (iii)

Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12

Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12

1 Stokes Place, St Stephens Green, Dublin 2

Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12

Mexico

Tata Steel International Mexico SA de CV (ii) (iii)

No. 2001, Corporative Central Park, Torre 1, 16 Piso C, Col. Centro Sur, Queretaro, Queretaro CP 76090, Mexico

Nigeria

Tata Steel International (Nigeria) Limited (i) (iii) (xiv)

Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria

Norway

Tata Steel Norway Byggsystemer AS (ii) (iii)

Roraskogen 2, Skien, N 3739, Norway

Romania

Corus International Romania SRL (i) (iii)

169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania

South Africa

TS South Africa Sales Office Proprietary Limited (i) (xii)

1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa

Sweden

Surahammars Bruks AB (ii) (iii)

Box 201, S-735 23, Surahammar, Sweden

UAE

Tata Steel International (Middle East) FZE (i) (iii)

PO Box 18294, Jebel Ali, Dubai, United Arab Emirates

Ukraine

Corus Ukraine LLC (i) (iii)

Office 16, Building 11/23B, Chekhivskiy Provulok / Vorovskogo Street, 01054 Kiev, Ukraine

United Kingdom

00302520 Limited

Alloy Steel Rods Limited

Automotive Laser Technologies Limited (ii) (iii) (xiii)

Bell & Harwood Limited (ii) (iii)

Blastmega Limited (i) (iii) (vii)

Bore Samson Group Limited (ii) (iii)

Bore Steel Limited (ii) (iii)

British Bright Bar Limited

British Guide Rails Limited (ii) (iii) (x)

British Steel Corporation Limited (ii) (iii)

British Steel Directors (Nominees) Limited (ii) (iii)

British Steel Engineering Steels (Exports) Limited (ii) (iii)

British Steel Service Centres Limited (ii) (iii)

British Tubes Stockholding Limited (i) (iii) (xiii)

C Walker & Sons Limited (ii) (iii)

Catnic Limited (i) (iii) (viii) (x)

Cogent Power Limited (i) (iii) (x)

Cold Drawn Tubes Limited (i) (iii)

Corby (Northants) & District Water Co. (i) (iii)

Cordor (C & B) Limited (ii) (iii)

Corus CNBV Investments (50%) (ii) (iii)

Corus Cold Drawn Tubes Limited (i) (iii)

Corus Engineering Steels (UK) Limited (ii) (iii)

Corus Engineering Steels Holdings Limited (i) (iii) (xii)

Corus Engineering Steels Limited (ii) (iii) (x)

Corus Engineering Steels Overseas Holdings Limited (ii) (iii)

Corus Engineering Steels Pension Scheme Trustee Limited (ii) (iii)

Corus Holdings Limited (i) (iii)

Corus International Limited (i) (iii)

Corus Investments Limited (ii) (iii)

Corus Liaison Services (India) Limited (ii) (iii)

Corus Management Limited (i) (iii)

30 Millbank London SW1P 4WY

30 Millbank London SW1P 4WY

Hill House, 1 Little New Street, London, EC4A 3TR

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

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30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

Hill House, 1 Little New Street, London, EC4A 3TR

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

Orb Works, Stephenson Street, Newport, Gwent, NP19 0RB

Po Box 101 Weldon Road, Corby, Northamptonshire, NN17 5UA

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

17th Floor 125 Old Broad Street, London, EC2N 1AR

15 Atholl Crescent, Edinburgh, EH3 8HA

30 Millbank, London, SW1P 4WY

15 Atholl Crescent, Edinburgh, EH3 8HA

30 Millbank, London, SW1P 4WY

30 Millbank, London, SW1P 4WY

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Corus Properties (Germany) Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Corus Property (50%) (ii) (iii)	30 Millbank, London, SW1P 4WY
Corus Service Centre Limited (ii) (iii)	Hull's Hill, Lisburn, Co.Atrim, BT28 2SR
Corus UK Healthcare Trustee Limited (i) (iii)	30 Millbank, London, SW1P 4WY
CPN (85) Limited (i) (iii) (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
Darlington & Simpson Rolling Mills Limited	30 Millbank London SW1P 4WY
DSRM Group Plc. (i) (iii)	30 Millbank, London, SW1P 4WY
Europressings Limited (ii) (iii) (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
Firsteel Engineering Limited	30 Millbank, London, SW1P 4WY
Firsteel Group Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Firsteel Holdings Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Grant Lyon Eagle Limited (i) (iii)	30 Millbank, London, SW1P 4WY
H E Samson Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Hallamshire Steel Co. Limited(The)	30 Millbank London SW1P 4WY
Hadfields Holdings Limited (62.5%) (i) (iii)	30 Millbank, London, SW1P 4WY
Hammermega Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Harrowmills Properties Limited (ii) (iii) (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
John Tinsley Limited	30 Millbank London SW1P 4WY
Kalzip Limited (i) (iii)	Haydock Lane, Haydock, St Helens, Merseyside, WA11 9TY
London Works Steel Company Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Midland Steel Supplies Limited (ii) (iii) (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
Nationwide Steelstock Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Orb Electrical Steels Limited (ii) (iii)	Orb Works, Stephenson Street, Newport, NP19 0RB
Ore Carriers Limited (ii) (iv) (v) (viii)	30 Millbank, London, SW1P 4WY
Plated Strip International Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Round Oak Properties Limited (ii) (iv)	15 Great Marlborough Street, London, W1V 1AF
Round Oak Steel Works Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Runblast Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Runmega Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Samuel Fox Limited	30 Millbank London SW1P 4WY
Seamless Tubes Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Smith, Druce Stainless Limited	30 Millbank London SW1P 4WY
Steel Peech & Tozer Limited	30 Millbank London SW1P 4WY
Steel Stockholdings Limited (ii) (iv) (v)	30 Millbank, London, SW1P 4WY
Steelstock Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Stewarts And Lloyds (Overseas) Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Swinden Housing Association (i) (iii)	Swinden House, Moorgate, Rotherham, South Yorkshire, S60 3AR, England
Tata Steel UK Consulting Limited (i) (iii)	30 Millbank, London, SW1P 4WY
The Newport And South Wales Tube Company Limited (i) (iii) (x)	30 Millbank, London, SW1P 4WY
The Stanton Housing Company Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
The Steel Company of Wales Limited	30 Millbank London SW1P 4WY
The Templeborough Rolling Mills Limited (i) (iv) (v)	30 Millbank, London, SW1P 4WY
Toronto Industrial Fabrications Limited (i) (iii) (x) (xi)	30 Millbank, London, SW1P 4WY
U.E.S. Bright Bar Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
UK Steel Enterprise Limited (i) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
UKSE Fund Managers Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
United Steel Structural Company Limited	30 Millbank London SW1P 4WY
Walker Manufacturing And Investments Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Walkersteelstock Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Wellington Tube Works Limited	30 Millbank London SW1P 4WY
Westwood Steel Services Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Whitehead (Narrow Strip) Limited (ii) (iii)	30 Millbank, London, SW1P 4WY

USA

Cogent Power Inc. (ii) (iii)

c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, New Castle County, USA

Classification key:

- (i) Directly owned by the Company
- (ii) Owned by Group
- (iii) Ordinary shares
- (iv) Ordinary A shares
- (v) Ordinary B shares
- (vi) Ordinary C shares
- (vii) Preference shares
- (viii) Deferred shares
- (ix) Deferred A shares
- (x) Cumulative redeemable preference shares
- (xi) Non-cumulative preference shares
- (xii) No share capital
- (xiii) Currently in liquidation via a Members Voluntary Liquidation
- (xiv) Currently in liquidation

Unless indicated otherwise, subsidiary undertakings are wholly owned by the Company.

F6. Notes to the financial statements

Joint arrangements

United Kingdom

Afon Tinsplate Company Limited (64%) (i) (iv) (vi) (JV)
Air Products Llanwern Limited (50%) (i) (ii) (JO)

Ravenscraig Limited (33%) (i) (iii) (JV)
Texturing Technology Limited (50%) (i) (iii) (JO)

Afon Works, Bryntwyod, Swansea, UK, SA5 7LN
Hersham Place Technology Park, Molesey Road, Walton On Thames, Surrey,
KT12 4RZ
15 Atholl Crescent, Edinburgh, EH3 8HA
30 Millbank, London, SW1P 4WY

Associates

United Kingdom

Fabsec Limited (25%) (i) (iv)

ISSB Limited (50%) (i) (ii)

Cellbeam Ltd, Unit 516 Avenue E East, Thorp Arch Estate, Wetherby, West
Yorkshire, England, LS23 7DB
Corinthian House, 17 Lansdowne Road, Croydon, Greater London, CR0 2BX

Classification key:

- (i) Owned by the Company
- (ii) Ordinary shares
- (iii) Ordinary A shares
- (iv) Ordinary B shares
- (v) Voting shares
- (vi) Preference shares

- (JV) Joint Venture
- (JO) Joint Operation

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