TATA STEEL

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Tata Steel UK Limited

Report & Accounts 2014

Contents

Directors and advisors

Directors

H Adam
T Farquhar
J Fischer
K Koehler
H Matheson
NK Misra
J Phillips
B Jha (appointed 05 July 2013)

Secretary and registered office

SV Gidwani

30 Millbank
London
SW1P 4WY

Company Number

2280000

Auditor

Deloitte LLP
London

Strategic report

The Directors presents the strategic report of Tata Steel UK Limited for the year ended 31 March 2014.

Principal activities

Tata Steel UK Limited ('TSUK' or the 'Company') is a wholly owned subsidiary within the Tata Steel Europe Limited ('TSE') Group and its activities are managed as an integral part of the parent's operations.

The principal activities are the manufacture and sale of steel throughout the world. There have not been any significant changes in the principal activities in the period under review. The Company produces carbon steel by the basic oxygen steelmaking method at two integrated steelworks in the UK at Port Talbot and Scunthorpe.

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.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources (including the support of its ultimate parent, Tata Steel Limited ('TSL')) to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Business review

As noted above, the Company's activities are managed as an integral part of its parent's operations (TSE). 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 the key performance indicators for the Company (or discussion thereof) is necessary for an understanding of the development, performance or position of the Company.

The Company's revenue of £4,491m in 2013/14 was 2% higher than the previous year due to a 13% increase to steel deliveries which was mainly attributable mainly to a full year of two blast furnace operation at Port Talbot, offset by a 2% decrease to average revenue per tonne caused primarily by a deterioration in market conditions in the first half of 2013/14. Liquid steel production in 2013/14 at 8.5mt was 0.7mt higher than 2012/13 as output levels in the previous year were impacted by the rebuild of Blast Furnace 4 at Port Talbot during the 8 month period to February 2013. In addition, output levels in 2013/14 were positively impacted by the achievement of more stable and reliable operations, which included numerous steelmaking production records, in particular at Port Talbot.

The operating loss was £198m in 2013/14, £94m better than 2012/13 due to an improved operating performance, which included higher steel production levels and the realisation of significant cost savings. These improvements more than offset the deterioration to steel margins caused by a reduction to EU steel demand compared to the previous year.

The loss on ordinary activities before finance charges was £200m in 2013/14, £317m better than 2012/13 largely due to the significant restructuring costs of £244m recognised in the previous year, and the improved operating result in 2013/14.

The Company's net interest cost in 2013/14 of £134m was £18m higher than the previous year due primarily to higher interest costs on TSL group loans. Taxation was a credit of £48m in 2013/14 (2012/13: charge £25m) due to recognition of tax losses as deferred tax assets in order to offset deferred tax liabilities arising on actuarial gains on pension schemes. The loss after taxation in 2013/14 was £286m (2012/13: loss of £658m).

The balance sheet on page 8 of the financial statements shows the Company's financial position at the end of the financial year. Net assets decreased from £953m to £825m largely due to the results of the company being a loss of £286m for the year.

Principal risks and uncertainties

The principal forward risks and uncertainties affecting the Company include health, safety and environmental matters the general economic conditions in the UK and Europe, the impact of China and other exporters, long term competitiveness, pensions and exchange rates. Further information and discussion on these principal risks and uncertainties are included in the Annual Report & Accounts of TSE.

Employees
Details of the number of employees and related costs can be found in Note 4 to the financial statements on page 16.

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.

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.

Future developments and subsequent events
The Company has no significant future developments to report under this section.

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

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

27 June 2014

Directors' report

The Board
The directors of the Company are listed on page 1.

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 (2013: £nil).

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 are 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
Deloitte 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. Deloitte Haskins & Sells 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 2);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 3);
- Research & development activities (see page 3); and

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

SV Gidwani
Company Secretary
Registered Office:
30 Millbank,
London,
SW1P 4WY
27 June 2014

Directors' responsibilities statement on the company's financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

We have audited the company financial statements of Tata Steel UK Limited for the year ended 31 March 2014 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses, the accounting policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the company financial statements.

Matters on which we are required to report by exception

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

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

A Kelly

Andrew Kelly (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 June 2014

Profit and loss account

For the financial year ended 31 March	Note	2014 £m	2013 £m
Revenue	1	**4,491**	4,384
Operating costs	2	**(4,689)**	(4,676)
Operating loss		**(198)**	(292)
Restructuring costs	3	**(4)**	(244)
Profit on disposal of fixed assets		**3**	10
(Loss)/profit on disposal of fixed asset investments	11	**(1)**	9
Loss on ordinary activities before finance charges		**(200)**	(517)
Interest payable and similar charges	6	**(202)**	(173)
Interest receivable and similar income	7	**40**	42
Finance income	24	**28**	15
Loss on ordinary activities before taxation		**(334)**	(633)
Taxation	8	**48**	(25)
Loss after taxation		**(286)**	(658)

All activities are from continuing operations

Notes and related statements forming part of these accounts appear on pages 10 to 30.

Balance sheet

As at 31 March	Note	2014 £m	2013 £m
Fixed assets			
Intangible assets	9	**118**	99
Tangible assets	10	**1,250**	1,181
Investments in subsidiary and fellow group undertakings	11	**1,651**	1,501
Investments in joint ventures and associated undertakings	11	**1**	1
		3,020	2,782
Current assets			
Stock	12	**884**	931
Debtors: amounts falling due within one year	13	**409**	500
Debtors: amounts falling due after more than one year	14	**96**	62
Short term investments	15	**115**	50
Cash at bank and in hand		**53**	124
		1,557	1,667
Creditors: amounts falling due within one year	16	**(2,489)**	(2,038)
Net current liabilities		**(932)**	(371)
Total assets less current liabilities		**2,088**	2,411
Creditors: amounts falling due after more than one year	17	**(1,406)**	(1,387)
Provisions for liabilities and charges	18	**(137)**	(173)
Net assets excluding pension and post-retirement asset and liabilities		**545**	851
Pension asset	24	**288**	110
Pension and post-retirement liabilities	24	**(8)**	(8)
		825	953
Capital and reserves			
Called up share capital	19	**2,241**	2,241
Share premium account	20	**52**	52
Capital redemption reserve	20	**47**	47
Other reserves	20	**153**	153
Profit and loss account	20	**(1,668)**	(1,540)
		825	953

The financial statements on pages 7 to 30 were approved by the board of directors and signed on its behalf by:

NK Misra
27 June 2014
Tata Steel UK Limited
Registered No: 2280000

Notes and related statements forming part of these accounts appear on pages 10 to 30.

Statement of total recognised gains and losses

For the financial year ended 31 March	Note	2014 £m	2013 £m
Loss for the financial period		**(286)**	(658)
Actuarial gain/(loss) on defined benefit pension and other post-retirement plans	24	**197**	(38)
Deferred tax attributable to actuarial gain/(loss)	24	**(39)**	9
Net movement on cash flow hedges	20	**-**	1
Total recognised losses relating to the period		**(128)**	(686)

Notes and related statements forming part of these accounts appear on pages 10 to 30.

Presentation of accounts and accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom ('UK GAAP'). A summary of the more important accounting policies is set out below. These have been applied consistently in the current and prior period.

I Basis of preparation

TSUK is a private limited company incorporated in the United Kingdom under the Companies Act 2006. The functional and presentational currency of the Company is sterling. The accounts have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments, in accordance with the Companies Act 2006.

Group accounts have not been prepared as the Company is a wholly owned indirect subsidiary of Tata Steel Europe Limited ('TSE'), which has prepared consolidated accounts for the 12 month period to 31 March 2014.

As set out in the Strategic report: Going Concern, 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

The preparation of accounts in line with generally accepted accounting principles 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 reporting period.

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

III Critical accounting policies

(a) Tangible fixed assets

Tangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the Company, related works and incremental overhead amounts are included in cost. Commissioning costs are written off to the profit and loss account as incurred. Tangible fixed assets financed by leasing arrangements that approximate to the loan of money and in which the Company enjoys substantially all the risks and rewards of ownership (finance leases) are treated as if they have been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance cost; the capital element reducing the obligation to the lessor and the finance cost being written off to the profit and loss account over the period of the lease. Operating lease costs are charged to the profit and loss account as incurred.

Included in tangible fixed assets 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 provisions are made where necessary to cover slow moving and obsolescent items. Repairs and renewals are charged to the profit and loss account as incurred.

(b) Depreciation, amortisation and impairment of tangible and intangible fixed assets

Depreciation and amortisation is provided so as to write off, on a straight-line basis, the cost of tangible and intangible fixed assets including those held under finance leases to their residual value. They are depreciated from the dates they are brought into use 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 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. No further depreciation is provided in respect of assets which are fully written down but are still in use.

The estimated useful lives for the main categories of fixed assets are:

Freehold and long leasehold buildings which house plant and other works buildings		25 years
Other freehold and long leasehold buildings		50 years
Plant and machinery:		
Iron and steelmaking	maximum	25 years
IT hardware and software	maximum	8 years
Office equipment and furniture		10 years
Motor vehicles		4 years
Other	maximum	15 years
Goodwill	maximum	20 years
Patents and trademarks		4 years

At each balance sheet date, the Company reviews the carrying amounts of its tangible fixed assets 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 Cash Generating Unit ('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 competitive WACC, 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 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) Taxation

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. The Company has chosen not to discount deferred tax assets and liabilities.

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 balance sheet date. 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 recognised within equity.

(d) 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 balance sheet date. The Company recognises all actuarial gains and losses directly within retained earnings; presenting those arising in any one reporting period as part of the relevant statement of total recognised gains and losses.

The interest cost and expected return on plan assets have been treated as finance income and the current service cost and past service costs 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 obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. 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.

(e) 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 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. 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.

TSE participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased as intangible assets 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.

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 relating to expenditure on tangible fixed assets are credited to the profit and loss account over the useful economic lives of qualifying assets. Total grants received less the amounts credited to the profit and loss account at the balance sheet date are included in the balance sheet as deferred income.

(c) Insurance
Insurance premiums in respect of insurance placed with third parties are charged to the profit and loss account 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 payable, including that related to the financing of the construction of tangible fixed assets, is written off as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest payable. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off when paid.

(e) Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at each balance sheet date. Profit and loss account items and cash flows in foreign currencies 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 XI below for details of the Company's accounting policies in respect of such derivative financial instruments).

(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. The Company does not comply with the disclosure requirements of FRS 29 'Financial Instruments: Disclosures' on the basis that the Company is a greater than 90% owned subsidiary of TSE which produces consolidated financial statements that include the Company.

(a) Investments

Investments are initially measured at fair value, which includes transaction expenses. In addition they are classified as either held for trading or available for sale, and are subsequently measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit and loss for the period. For available for sale investments, gains and losses arising from changes in fair value 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 profit and loss for the period.

(b) Financial liabilities

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

(c) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. These borrowings are subsequently stated at amortised cost.

(d) Equity instruments

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

(e) 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 and base metal price fluctuations. The instruments are confined principally to forward foreign exchange contracts and forward rate agreements. The instruments are employed as hedges of transactions included in the accounts or forecast for firm contractual commitments. These contracts do not generally extend beyond 6 months.

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 profit and loss account. 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 an asset or a liability, amounts deferred in reserves are recognised in profit and loss in the same period in which the hedged item affects profit or 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 profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit and loss. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with gains or losses reported in profit and loss.

(f) Trade debtors

Trade debtors 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. When a trade debtor is determined to be uncollectable it is written off, firstly against any provision available and then to the profit and loss account. Subsequent recoveries of amounts previously provided for are credited to the profit and loss account. Where trade debtors are sold prior to settlement by customers, they are derecognised with the respective default deductions and discount costs simultaneously charged to profit and loss.

(g) Trade creditors

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

(g) Patents, trademarks and software

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 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 profit and loss as incurred.

(h) Leases

The Company determines whether an arrangement contains a lease by assessing whether the fulfillment 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 income 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 deemed cost, being 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) Fixed asset investments

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

(j) Stocks

Stocks of raw materials are valued at cost or, if they are to be realised without processing, the lower of cost and net realisable value. Cost is determined using the 'first in first out' method. Stocks of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost of partly processed and finished products comprises cost of production including works overheads. Net realisable value is the price at which the stocks 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 cost of disposal. Provisions are made to cover slow moving and obsolescent items based on historical experience of utilisation on a category by category basis.

(k) Related party transactions

The Company has taken advantage of the exemptions available to it under FRS 8 'Related Party Disclosures' paragraphs 3(a) and (c) in not disclosing related party transactions.

(l) Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of TSE. Consequently the Company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.

(m) Research and development

Expenditure on research and development is charged to the profit and loss account as it is incurred.

Notes to the accounts

1. Revenue

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

	2014 £m	2013 £m
UK	**2,203**	2,250
Europe	**1,780**	1,454
Rest of world	**508**	680
	4,491	4,384

2. Operating costs

	Note	2014 £m	2013 £m
Costs by type:			
Raw materials and consumables		**2,419**	2,447
Maintenance costs (excluding own labour)		**334**	334
Other external charges (including fuels, utilities, hire charges and carriage costs)		**862**	778
Employment costs	4	**796**	784
Depreciation and amortisation		**135**	152
Other operating items (including rent, rates, insurance and general expenses)		**158**	142
Changes in inventory of finished goods and work in progress		**(13)**	42
Own work capitalised		**(2)**	(3)
		4,689	4,676

The above costs are stated after including:

	2014 £m	2013 £m
Depreciation of tangible assets:		
Owned	**115**	132
Held under finance leases	**5**	6
Research and development expenditure	**14**	22
Amortisation of intangible assets	**15**	14
Operating lease rentals:		
Plant and machinery	**20**	20
Other	**30**	26
Sale of emission rights	**(12)**	(67)

The analysis of auditor's remuneration is as follows:

	2014 £m	2013 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.6**	0.6

The fees above reflect Deloitte LLP's provision of services during the year ended 31 March 2014. Fees payable to Deloitte 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. Restructuring costs

	2014 £m	2013 £m
Provision for restructuring and related measures:		
Redundancy and related costs	**39**	30
Asset impairments	**-**	242
Other rationalisation costs	**6**	25
	45	297
Credits for restructuring and related measures:		
Redundancy and related costs	**(32)**	(51)
Other rationalisation costs	**(9)**	(2)
	(41)	(53)
	4	244

The provision for redundancy and related costs of £39m in 2014 related to restructuring mainly in the Long Products hub and Orb Electrical Steels site, and a re-assessment of the curtailment impact to the British Steel Pension Scheme (BSPS) in respect of the UK restructuring announced in 2013, with the credit for redundancy and related costs of £32m relating mainly to the release of provisions in respect of restructuring in the UK operations announced in 2013 and a curtailment gain within the BSPS in respect of the UK restructuring announced in 2014.

The provision for redundancy and related costs of £30m in 2013 related to restructuring of the Company's operations in the Strip Products, Distribution, Bar and Colors businesses, with the credit for redundancy and related costs of £51m relating mainly to a curtailment gain within the British Steel Pension Scheme in respect of this restructuring.

The net curtailment impact in relation to pension schemes in 2014 was £2m (2013: credit of £41m).

Details of the impairment losses related to property, plant and equipment are outlined in Note 11.

4. Employee information

The total employment costs of all employees (including directors) in the Company were:

	2014 £m	2013 £m
Wages and salaries	**630**	640
Social security costs	**54**	54
Other pension costs	**112**	90
As included in operating costs	**796**	784
Net redundancy and related costs (included within restructuring costs)	**7**	(21)
	803	763

The average monthly number of persons employed during the period was:

	2014 Number	2013 Number
Average number of persons employed	**17,757**	18,303

5. Directors' emoluments

The emoluments of Dr K Koehler and Mr NK Misra are paid by other companies within the TSE Group which make no recharge to TSUK.

Dr K Koehler and Mr NK Misra were directors of the parent company (TSE) and a number of fellow subsidiaries during 2014. 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. The total remuneration of these remaining directors for their services to the TSE Group was £2.6m (2013: £3.1m). However, it is not practicable to allocate this 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 are accruing under defined benefit schemes to three (2013: eight) individuals who were directors during the period.

6. Interest payable and similar charges

	2014 £m	2013 £m
Interest payable to parent company	**18**	6
Interest payable to other group companies	**63**	50
Discount on disposal of trade debtors within purchase agreement with Group company	**111**	108
Other interest payable	**5**	4
Finance lease interest	**5**	5
	202	173

7. Interest receivable and similar income

	2014 £m	2013 £m
Dividends from group companies	**-**	20
Dividends from joint ventures	**1**	2
Interest receivable from parent company	**32**	16
Interest receivable from other group companies	**2**	4
Other interest receivable	**5**	-
	40	42

8. Taxation

	2014 £m	2013 £m
UK corporation tax:		
UK corporation tax	**(1)**	
Adjustments in respect of prior periods	**12**	1
Current tax	**11**	1
Deferred tax:		
Origination and reversal of timing differences	**37**	(26)
Total tax credit/ (charge) on loss on ordinary activities	**48**	(25)

8. Taxation continued

The current tax charge for the period can be reconciled to the loss on ordinary activities before taxation as follows:

	2014 £m	2013 £m
Loss on ordinary activities before taxation	**(334)**	(633)
Tax at the standard UK rate of 23% (2013: 24%)	**77**	152
Timing differences	**10**	(41)
Tax losses carried forward	**(89)**	(116)
Income not taxable	**(1)**	-
Permanent differences	**2**	5
Adjustments in respect of prior periods	**12**	1
Current tax credit	**11**	1

The deferred tax credit includes an amount of £3m (2013: £2m) relating to the reduction in corporation tax rate to 20% (2013: 23%) that became substantively enacted in the year.

9. Intangible assets

	Goodwill £m	Computer software £m	Patents and trademarks £m	Total £m
Cost at beginning of period	7	174	2	**183**
Additions	-	34	-	**34**
Cost at end of period	7	208	2	**217**
Amortisation at beginning of period	7	76	1	**84**
Charge for period	-	15	-	**15**
Amortisation at end of period	7	91	1	**99**
Net book value at 31 March 2014	-	117	1	**118**
Net book value at 31 March 2013	-	98	1	**99**

10. Tangible assets

	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost at beginning of period	561	4,840	225	135	**5,761**
Additions	-	2	28	127	**157**
Disposals	(2)	(44)	(10)	-	**(56)**
Transfers and other movements	3	70	-	(73)	**-**
Cost at end of period	562	4,868	243	189	**5,862**
Depreciation at beginning of period	451	4,052	170	2	**4,675**
Charge for the period	3	102	15	-	**120**
Disposals	(2)	(44)	(9)	-	**(55)**
Depreciation at end of period	452	4,110	176	2	**4,740**
Net book value at 31 March 2014	110	758	67	187	**1,122**
Spares (net book value)					**128**
					1,250
Net book value at 31 March 2013	110	788	55	133	1,086
Spares (net book value)					95
					1,181

10. Tangible assets continued

		2014 £m	2013 £m
(i)	The net book value of land and buildings comprises:		
	Freehold	**101**	101
	Long leasehold (over 50 years unexpired)	**1**	1
	Short leasehold	**8**	8
		110	110
	Which may be further analysed as:		
	Assets held under finance leases:		
	Cost	**20**	20
	Accumulated depreciation	**(12)**	(12)
		8	8
	Owned assets	**102**	102
		110	110
(ii)	The net book value of plant and machinery comprises:		
	Assets held under finance leases:		
	Cost	**136**	135
	Accumulated depreciation	**(91)**	(86)
		45	49
	Owned assets	**713**	739
		758	788
(iii)	The net book value of spares comprises:		
	Cost	**409**	396
	Accumulated ordinary and accelerated depreciation	**(281)**	(301)
		128	95

In 2013, TSUK recognised an impairment charge of £242m of against property, plant and equipment (see Note 3), which includes a charge of £37m against spares. The impairment charge was recognised in the following businesses: Long Products Europe £190m, Bar £17m and Orb Electrical Steels £27m. A further £8m was recognised in relation to the restructuring of the Company's distribution operations.

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.

11. Fixed asset investments

	Shares in subsidiary undertakings £m	Loans to subsidiary and fellow group undertakings £m	Interests in joint ventures and associates £m	Loans to joint ventures and associates £m	Total £m
Cost at beginning of period	1,180	774	5	20	**1,979**
Additions	-	267	-	-	**267**
Disposals	(2)	(99)	-	-	**(101)**
Exchange rate movements	-	(16)	-	-	**(16)**
Cost at end of period	1,178	926	5	20	**2,129**
Provisions at beginning of the period	378	75	4	20	**477**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Provisions at end of the period	378	75	4	20	**477**
Net book value at 31 March 2014	800	851	1	-	**1,652**
Net book value at 31 March 2013	802	699	1	-	**1,502**

11. Fixed asset investments continued

Prior period investments and amounts owed to group undertakings have been restated to reflect the inclusion in these accounts of investments in dormant companies which the directors have identified the company has a direct investment in rather than via intermediate holding companies. The impact is to increase investments and amounts owed to group undertakings by 52m with no impact on profit or net assets.

During the year the subsidiary undertaking Tata Steel Hungary LLC was dissolved. The net book value of this investment at the date of the dissolution was £2m.

Amounts disclosed in loss on disposal of fixed asset investments include a release of a £1m provision in respect of the company's disposal of VTS Track Technologies in the prior year.

The material subsidiary undertakings that are wholly owned by the Company at 31 March 2014 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation except where otherwise stated.

(i) Subsidiary undertakings

United Kingdom
- Ashorne Hill Management College
- Blastmega Limited
- Corus Management Limited
- Cogent Power Limited
- Corus Engineering Steels Holdings Limited
- Corus International Limited
- DSRM Group Plc
- Kalzip Limited
- Tata Steel UK Rail Consultancy Limited
- UK Steel Enterprise Limited

Bulgaria
- Corus International Bulgaria Limited

China
- Corus Aerospace Service Centre Suzhou Co Ltd

Dubai
- Tata Steel International (Middle East) FZE

India
- Tata Steel International (India) Limited

Romania
- Corus International Romania SRL

Ukraine
- Corus Ukraine Limited Liability Company

(ii) Joint ventures and associates

England and Wales	*%held*
- Caparo Merchant Bar plc	25

12. Stocks

	2014 £m	2013 £m
Raw materials and consumables	**350**	409
Work in progress	**302**	294
Finished goods and goods for resale	**232**	228
	884	931

The value of stocks above is stated after impairment for obsolescence and write-downs to net realisable value of £74m (2013: £90m).

13. Debtors: amounts falling due within one year

	2014 £m	2013 £m
Trade debtors	**67**	127
Less allowances for doubtful debts	**(9)**	(8)
	58	119
Amounts owed by group undertakings	**161**	226
Amounts owed by parent undertakings	**32**	20
Amounts owed by subsidiary undertakings	**86**	55
Amounts owed by joint ventures	**28**	19
Derivative financial instruments	**4**	35
Other debtors	**40**	26
	409	500

14. Debtors: falling due after more than one year

	2014 £m	2013 £m
Deferred tax assets	**91**	54
Financial guarantees (see Note 17)	**5**	8
	96	62

The movement on the deferred tax assets are as follows:		
At beginning of period	**54**	69
Profit and loss account	**37**	(15)
At end of period	**91**	54
Deferred tax liability on defined benefit pension schemes (see Note 24)	**(70)**	(31)
Net position at end of period	**21**	23

The deferred tax assets are made up as follows:		
Accelerated capital allowances	**(57)**	(46)
Tax losses	**136**	84
Other timing differences	**12**	16
At end of period	**91**	54

The movement on deferred tax liability in respect of defined benefit pension schemes includes a charge to the profit and loss account of £nil (2013: £11m) and a charge recognised in the statement of recognised gains and losses of £39m (2013: credit of £9m).

Deferred tax assets of £91m (2013: £54m) have been recognised at 31 March 2014. 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 be sufficient taxable income generated to realise the benefits of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of £3,110m (2013: £2,706m).

15. Short term investments

	2014 £m	2013 £m
Deposits within three months of maturity when acquired	**115**	50

16. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Obligations under finance leases	**7**	7
Trade creditors	**612**	611
Amounts owed to subsidiary undertakings	**5**	5
Amounts owed to group undertakings	**1,182**	1,031
Amounts owed to parent undertakings	**508**	185
Amounts owed to joint ventures	**12**	15
Corporation tax	**1**	8
Other taxation and social security	**21**	19
Interest payable	**3**	7
Capital expenditure creditors	**67**	87
Derivative financial instruments	**14**	3
Other creditors (i)	**57**	60
	2,489	2,038

(i) Other creditors include amounts provided in respect of insurances, holiday pay, other employment costs and sundry other items.

17. Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Obligations under finance leases	**67**	71
Amounts owed to parent undertakings	**189**	172
Amounts owed to fellow group undertakings	**152**	159
Amounts owed to subsidiary undertakings	**985**	977
Financial guarantees	**5**	8
Accruals and deferred income	**8**	-
	1,406	1,387

Amounts owed to subsidiary undertakings and fellow Group undertakings represent loans with no fixed repayment date.

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

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014 £m	2013 £m	2014 £m	2013 £m
Not later than one year (Note 16)	**12**	12	**7**	7
Later than one year but not more than five years	**46**	45	**33**	30
More than five years	**43**	52	**34**	41
	101	109	**74**	78
Less: future finance charges on finance leases	**(27)**	(31)	**-**	-
Present value of lease obligations	**74**	78	**74**	78

18. Provisions for liabilities and charges

	Rationalisation costs £m	Insurance (Accounting policy note IV c) £m	Other £m	**2014 Total £m**
At beginning of period	102	11	60	**173**
Charges to profit and loss account	26	9	2	**37**
Releases to profit and loss account	(24)	-	(19)	**(43)**
Utilised in period	(21)	(6)	(3)	**(30)**
At end of period	83	14	40	**137**

(i) Rationalisation costs include redundancy provisions as follows:

	2014 £m
At beginning of period	**28**
Charges to profit and loss account	**20**
Releases to profit and loss account	**(15)**
Utilised during the period	**(13)**
At end of period	**20**

	2014 £m
Other rationalisation provisions arise as follows:	
Onerous lease payments relating to unutilised premises	**50**
Environmental and other remediation costs at sites subject to restructuring/closure	**11**
Other	**2**
At end of period	**63**

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 2014 the rationalisation provision included £50m (2013: £61m) in respect of onerous leases on a discounted basis and £56m (2013: £69m) on an undiscounted basis.

(ii) Other provisions include £24m (2013: £28m) for environmental provisions. During the period there were charges to profit and loss of £2m (2013: £7m) and cash settlements of £nil (2013: £3m) against these claims. The other provisions also include product warranty claims for which the timing of any potential expenditure is uncertain and provisions for employee benefits, which include long term benefits such as long service and sabbatical leave. All items are subject to independent actuarial assessments.

(iii) The insurance provisions relate to Crucible Insurance Company Limited which underwrites marine cargo, employers' liability, public liability and retrospective hearing impairment policies for the Group. These provisions represent losses incurred but not yet reported in respect of risks retained by the Group rather than passed to third party insurers and include amounts in relation to certain disease insurance 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.

19. Share capital

Authorised	**2014 £m**	2013 £m
4,999,999,998 (2013: 4,999,999,998) ordinary shares of 50p each	**2,499**	2,499

Allotted, called up and fully paid	**2014 £m**	2013 £m
4,482,600,612 (2013: 4,482,600,612) ordinary shares of 50p each	**2,241**	2,241

20. Reconciliation of movements in share capital and reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss reserves £m	**Total 2014 £m**	Total 2013 £m
At beginning of period	2,241	52	47	153	(1,540)	**953**	1,639
Loss for the financial period	-	-	-	-	(286)	**(286)**	(658)
Actuarial gain/ (loss) on defined benefit pension plans (Note 24)	-	-	-	-	197	**197**	(38)
Deferred tax attributable to actuarial gain/ (loss) (Note 24)	-	-	-	-	(39)	**(39)**	9
Net movement on cashflow hedges	-	-	-	-	-	**-**	1
At end of period	2,241	52	47	153	(1,668)	**(825)**	953

21. Capital commitments

	2014 £m	2013 £m
Contracted but not provided for	**48**	83
Authorised but contracts not yet placed	**80**	97

At the end of the period there was £25m (2013: £42m) of commitment in relation to intangible assets.

22. Operating leases

	2014 £m	2013 £m
Committed amounts for the next year are:		
Leases of land and buildings expiring:		
Not later than one year	**-**	1
Later than one year and not later than five	**2**	2
More than five years	**14**	6
	16	9
Other leases (principally for plant and machinery) expiring:		
Not later than one year	**12**	7
Later than one year and not later than five	**7**	25
More than five years	**42**	36
	61	68

Of the total operating lease payments, £44m (2013: £51m) relates to the time charter hire of 13 (2013: 11) vessels by the company's supplies and transport function. Subsequent to the financial year end, TSUK entered into an arrangement which included the sub-letting of four of the time charter hire vessels, representing £18m of the total operating leases above.

TSE has entered into an arrangement that includes the sub-letting of 4 (2013: 4) of the time charter hire vessels, representing £18m (2013: £27m) of the total operating lease payments above.

23. Contingencies

	2014 £m	2013 £m
Guarantees given under trade agreements	**13**	11
Others	**8**	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.

24. Pensions and post-retirement benefits

Introduction

The principal pension scheme for TSUK is the British Steel Pension Scheme ('BSPS'), which is the main scheme for historic 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 triennial funding valuation of the BSPS at 31 March 2011 and associated recovery plan was agreed with the BSPS Trustee board in November 2012. Under this prudent funding valuation basis the deficit was £553m (in contrast with the FRS 17 valuation, which continued to show a surplus at 31 March 2014). A recovery plan has been agreed in order to return the BSPS to a fully funded position on an actuarial funding basis by 31 March 2026. Under the terms of the plan, deficit recovery contributions of £10m were made to the BSPS during the year. The next triennial funding valuation of the BSPS at 31 March 2014 has just commenced.

Following the merger of the Corus Engineering Steels Pension Scheme ('CESPS') into the BSPS effected on 6 April 2009, the Company agreed to contribute £10m per annum over a seven year period in order to clear the funding deficit in CESPS and bring both schemes to comparable funding levels. The fifth year's contribution of £10m was paid during the year.

The Company accounts for all pension and post-retirement benefit arrangements using FRS 17 'Retirement Benefits', as amended to allow actuarial gains and losses to be recognised in retained earnings, with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to these schemes. The present value of the defined benefit obligation, the current service cost and past service costs were calculated by these actuaries using the projected unit credit method. However, the ongoing funding arrangements of each scheme, in place to meet their long term pension liabilities, are governed by the individual scheme documentation and national legislation. The accounting and disclosure requirements of FRS 17 do not affect these funding arrangements.

The Company also participates in a number of 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.

Actuarial assumptions

A range of assumptions must be used to determine the FRS 17 amounts and the values to be included can vary significantly with only small changes in these assumptions.

Key assumptions applied at the balance sheet date were as follows:

31 March 2014	BSPS %	Other %
Salary growth	**3.30**	3.30
Pension increases[1]	**3.30**	3.30
Discount rate	**4.40**	4.40-4.80
Inflation	**3.30**	3.20-3.30

1 Where applicable a CPI assumption of 2.30% has been applied within BSPS

31 March 2013	BSPS %	Other %
Salary growth	**3.85**	3.85
Pension increases[2]	**3.35**	3.35
Discount rate	**4.30**	4.30-4.80
Inflation	**3.35**	3.20-3.35

2 Where applicable a CPI assumption of 2.35% has been applied within BSPS

24. Pensions and post-retirement benefits continued

Key assumptions applied in arriving at the income statement charge were as follows:

31 March 2014	BSPS %	Other %
Salary growth	**3.85**	3.85
Pension increases[3]	**3.35**	3.35
Discount rate	**4.30**	4.30-4.80
Inflation	**3.35**	3.20-3.35
Expected return on plan assets:		
Equities	**7.25**	-
Bonds	**3.13**	-
Property	**6.75**	-
Cash/others	**2.25**	-

3 Where applicable a CPI assumption of 2.35% has been applied within BSPS

31 March 2013	BSPS %	Other %
Salary growth	**4.20**	4.45
Pension increases[4]	**3.20**	3.45
Discount rate	**4.80**	5.50-6.00
Inflation	**3.20**	2.60-3.45
Expected return on plan assets:		
Equities	**7.56**	-
Bonds	**3.63**	-
Property	**6.60**	-
Cash/others	**2.35**	-

4 Where applicable a CPI assumption of 2.35% has been applied within BSPS

The discount rate is set with reference to the current rate of return on AA rated corporate bonds Sterling 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. The Company establishes the expected rate of return on plan assets by developing a forward looking, long term return assumption for each asset class, taking into account factors such as the expected real return for the specific asset class, respective yields and market rates at the end of the reporting period. These returns are assumed to be net of investment expenses.

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 2014 use the Self-Administered Pension Schemes (SAPS) base tables, S1NMA adjusted by a multiplier of 0.94 for males and S1DFA for females. In addition, future mortality improvements are allowed for in line with the 2009 CMI Projections from 2011 onwards subject to 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.

Profit and loss pension costs

Under FRS 17 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.
- The expected return on assets is the actuarial forecast of total return (that is, income and gains) on the actual assets in the scheme. This is a long term rate and is set at the beginning of the period.
- The interest cost is the notional interest cost arising from unwinding the discount on the scheme liabilities, based on the discount rate (that is, appropriate bond rate) at the beginning of the period.

Variations from expected costs and returns, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. Examples are differences between the estimated return on scheme assets (credited to profit and loss) and the actual return, the remeasurement 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.

24. Pensions and post-retirement benefits continued

Profit and loss pension costs arose as follows:

12 months to 31 March 2014	BSPS £m
Analysis of amount charged to operating loss for the period:	
Current service cost	**112**
Settlements, curtailments and past service costs	**2**
Total charge for the period	**114**
Analysis of amount credited to finance income for the period:	
Interest cost	**537**
Expected return on plan assets	**(565)**
Total net finance income for the period	**(28)**

12 months to 31 March 2013	BSPS £m
Analysis of amount charged to operating loss for the period:	
Current service cost	92
Settlements, curtailments and past service costs	(41)
Total charge for the period	51
Analysis of amount credited to finance income for the period:	
Interest cost	555
Expected return on plan assets	(570)
Total net finance income for the period	(15)

The total charge for the period above includes debits of £2m (2013: £41m credit) that are included within restructuring costs and £nil (2013: £2m) current service costs relating to joint ventures and other companies outside of TSUK Ltd. The actual return on plan assets for the above schemes was a gain of £191m (2012: £1,415m).

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).
- 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:

31 March 2014	BSPS £m	Other £m	**Total £m**
Fair value of plan assets at end of period	12,668	-	**12,668**
Present value of obligation at end of period	(12,308)	(10)	**(12,318)**
Defined benefit asset/(liability) at end of period	360	(10)	**350**
Related deferred tax (liability)/asset	(72)	2	**(70)**
Net pension asset/(liability)	288	(8)	**280**
Disclosed as:			
Defined benefit asset	288	-	**288**
Defined benefit liability	-	(8)	**(8)**
Arising from:			
Funded schemes	288	-	**288**
Unfunded schemes	-	(8)	**(8)**

24. Pensions and post-retirement benefits continued

31 March 2013	BSPS £m	Other £m	Total £m
Fair value of plan assets at end of period	12,942	-	**12,942**
Present value of obligation at end of period	(12,799)	(10)	**(12,809)**
Defined benefit asset/(liability) at end of period	143	(10)	**133**
Related deferred tax (liability)/asset	(33)	2	**(31)**
Net pension asset/(liability)	110	(8)	**102**
Disclosed as:			
Defined benefit asset	110	-	**110**
Defined benefit liability	-	(8)	**(8)**
Arising from:			
Funded schemes	110	-	**110**
Unfunded schemes	-	(8)	**(8)**

The percentage of total plan assets for each category of investment was as follows:

31 March 2014	BSPS %
Equities	**28**
Bonds	**61**
Property	**8**
Cash/others	**3**
	100

31 March 2013	BSPS %
Equities	27
Bonds	63
Property	7
Cash/others	3
	100

Statement of total recognised gains and losses

	2014 £m	2013 £m
Actual return less expected return on plan assets	**(374)**	845
Experience gains arising on scheme liabilities	**123**	86
Changes in assumptions underlying the present value of scheme liabilities	**448**	(969)
Actuarial gains and losses on defined benefit pension and other post-retirement plans	**197**	(38)
Deferred tax attributable to actuarial gains/(losses)	**(39)**	9
	158	(29)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £2,972m.

24. Pensions and post-retirement benefits continued

Movements in the plan assets and benefit obligations during the period arose as follows:

12 months to 31 March 2014	BSPS £m	Other £m	**Total £m**
Plan assets:			
Fair value at start of period	12,942	-	**12,942**
Expected return on plan assets	565	-	**565**
Employer contributions	106	-	**106**
Employee contributions	40	-	**40**
Benefits paid	(611)	-	**(611)**
Actuarial loss on plan assets	(374)	-	**(374)**
Fair value at end of period	12,668	-	**12,668**
Benefit obligations:			
Benefit obligations at start of period	12,799	10	**12,809**
Current service cost	112	-	**112**
Interest cost	537	-	**537**
Settlements, curtailments and past service costs	2	-	**2**
Employee contributions	40	-	**40**
Benefits paid	(611)	-	**(611)**
Actuarial gain on benefit obligation	(571)	-	**(571)**
Benefit obligations at end of period	12,308	10	**12,318**

12 months to 31 March 2013	BSPS £m	Other £m	**Total £m**
Plan assets:			
Fair value at start of period	11,997	-	**11,997**
Expected return on plan assets	570	-	**570**
Employer contributions	89	-	**89**
Employee contributions	41	-	**41**
Benefits paid	(600)	-	**(600)**
Actuarial gain on plan assets	845	-	**845**
Fair value at end of period	12,942	-	**12,942**
Benefit obligations:			
Benefit obligations at start of period	11,869	10	**11,879**
Current service cost	92	-	**92**
Interest cost	555	-	**555**
Settlements, curtailments and past service costs	(41)	-	**(41)**
Employee contributions	41	-	**41**
Benefits paid	(600)	-	**(600)**
Actuarial loss on benefit obligation	883	-	**883**
Benefit obligations at end of period	12,799	10	**12,809**

24. Pensions and post-retirement benefits continued

The history of plan assets, benefit obligations and actuarial gains or losses is as follows:

	2014	2013	2012	2011	2010
Fair value of plan assets at end of period (£m)	**12,668**	12,942	11,997	11,317	10,968
Experience adjustments on plan assets:					
Amount (£m)	**(374)**	845	454	168	1,540
Percentage of plan assets (%)	**(3)**	7	4	1	14
Present value of benefit obligations at end of period (£m)	**12,318**	12,809	11,879	10,981	10,748
Actuarial adjustments on benefit obligations:					
Changes in assumptions (£m)	**448**	(969)	(784)	(47)	(1,939)
Experience gains/(losses) (£m)	**123**	86	12	(133)	(35)
Total actuarial gains/(losses) on benefit obligations (£m)	**571**	(883)	(772)	(180)	(1,974)
Experience gains/(losses) as a percentage of benefit obligations (%)	**1**	1	0	(1)	0
Defined benefit asset at end of period (£m)	**350**	133	118	336	220

The estimated employer contributions to the BSPS for 2015 are £130m.

25. Ultimate and immediate parent company

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

Tata Steel Limited (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 and TSUKH 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.

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