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UK Steel Enterprise Limited

Report & Accounts 2019

Contents

A. Directors and advisors

Directors

Mr A J Johnston
Mr S T Hamilton
Mr C L Harvey
Mr C D Jaques
Mr R Rickhuss

Secretary and registered office

R Thomas
The Innovation Centre
217 Portobello
Sheffield
S1 4DP

Company Number

00535960

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

B. Directors' report

Introduction

The Directors submit herewith the audited financial statements of UK Steel Enterprise Limited ('The Company') for the year ended 31 March 2019.

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

UK Steel Enterprise Limited is a wholly owned subsidiary within the Tata Steel UK Limited ('TSUK') Group.

The principal objective of the Company is to assist in the economic regeneration of those areas of the UK which have been affected by changes in the steel industry. The Company seeks to achieve this by encouraging the creation and growth of small and medium sized businesses which can provide new employment opportunities in these areas.

The principal activities of the Company are the provision of risk finance and premises to businesses which can demonstrate growth potential. The Company also provides support to selected business support agencies and initiatives.

Going concern

The directors have assessed the future funding requirements of the Company and the amounts due to them from fellow group undertakings and have compared them to the level of available borrowing facilities, including working capital facilities authorised and supported by the ultimate parent, Tata Steel Limited ('TSL'). In undertaking this assessment the directors have given due regard to the assessment undertaken by the Tata Steel Europe ('TSE') directors as disclosed in those financial statements for the year ended 31 March 2019. The directors acknowledge that its intermediate parent, Tata Steel Netherlands Holdings BV is required to make facility repayments in July 2020 of €38.8m and $9.8m, in October 2020 of €187.5m and $47.4m and also the availability of the Revolving Credit Facility will expire in October 2020.

The directors have taken into account that TSE and its subsidiaries, as outlined in the TSE financial statements, will benefit from an on-going commitment from TSL, provided in part by way of direct commitment and in part through a comfort letter provided in traditional form by its affiliate company, TS Global Holdings Pte Ltd. Accordingly, the directors have made some assumptions as to the continued availability of debt financing, including that a further refinancing will be achieved of the TSE Group's existing debt funding facilities, as has been achieved successfully in 2010 and 2014. The directors have assured themselves sufficiently of and taken into account that TSE and its subsidiaries have historically benefitted from and would continue to benefit from support from its ultimate parent, TSL and TSL's subsidiaries, including if so required, an injection of funds in an amount which is materially more than the scheduled debt service obligations of the TSE Group over the projected period. The directors have also satisfied themselves that the ultimate parent, TSL has, or will have access to, sufficient funds in relation to the above.

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.

The Board

The directors of the Company who served throughput the period from 1 April 2018 to the date of the report (unless otherwise stated) were as follows:

Mr A J Johnston

Mr S T Hamilton

Mr C L Harvey

Mr C D Jaques

Mr M J Leahy (resigned 26 September 2018)

Mr R Rickhuss (appointed 1 November 2018)

Mr A V L Williams (resigned 26 September 2018)

Results and dividends

The results of the Company show turnover for the year ended 31 March 2019 of £3,166,839 (2018: £3,042,764) and a pre-tax loss of £305,750 (2018: pre-tax profit of £368,964).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2019 (2018: £nil).

Post balance sheet events

In June 2019, an offer was made to acquire one of the businesses in which the Company held an equity investment. This offer was accepted by the business and the sale completed in September 2019. The Company received sale proceeds that were £829,121 above the carrying value at 31 March 2019. In accordance with the Company's accounting policies, this gain will be recognised in the results of the Company for the year ending 31 March 2020.

Auditors

An elective resolution has been passed dispensing with the requirement to appoint the auditor annually, and PricewaterhouseCoopers LLP is therefore deemed to continue as auditor.

Small company exemption

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006, as a result no strategic report has been prepared.

Approved by the Board of Directors and signed by order of the Board

R Thomas
Company Secretary

Registered Office:

The Innovation Centre
217 Portobello
Sheffield
S1 4DP

14 November 2019

C. Directors' responsibilities statement

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 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 ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

R Thomas
Company Secretary
14 November 2019

D. Independent auditor's report to the members of UK Steel Enterprise Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss 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 2019 (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2019; the Income statement, 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 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 , 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.

D. Independent auditor's report to the members of UK Steel Enterprise Limited

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditor

Cardiff

18 November 2019

E1. Income statement

For the financial year ended 31 March

	Note	2019 £	2018 £
Revenue	1	3,166,839	3,042,764
Operating costs	2	(4,605,025)	(3,790,537)
Other operating income	3	1,064,008	1,057,679
Operating (loss)/profit		**(374,178)**	**309,906**
Finance income	6	68,428	59,058
(Loss)/profit before taxation		**(305,750)**	**368,964**
Tax on (loss)/profit	7	-	-
(Loss)/profit after taxation		**(305,750)**	**368,964**

All references to 2019 in the Financial Statements, the Presentation of Accounts and Accounting Policies and the related Notes 1 to 23 refer to the financial year ended 31 March 2019 or as at 31 March 2019 as appropriate (2018: the financial year ended 31 March 2018 or as at 31 March 2018).

Statement of comprehensive income

The Company has no gains and losses other than those included in the income statement account above, and therefore no separate statement of comprehensive income has been presented.

Notes and related statements forming part of these accounts appear on pages 11 to 19.

E2. Balance sheet

As at 31 March

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	8	**8,145,391**	8,876,235
Investments and subsidiaries	9	**35,000**	35,000
Other investments	*10*	**10,264,920**	9,620,595
		18,445,311	**18,531,830**
Current assets			
Trade and other receivables	11	**11,330,685**	11,928,882
Cash and short term deposits		**1,060,049**	1,304,987
		12,390,734	**13,233,869**
TOTAL ASSETS		**30,836,045**	**31,765,699**
Current liabilities			
Trade and other payables	12	**(3,111,018)**	(3,683,632)
		(3,111,018)	**(3,683,632)**
Non-current liabilities			
Deferred income	14	**(544,645)**	(595,935)
		(544,645)	**(595,935)**
TOTAL LIABILITIES		**(3,655,663)**	**(4,279,567)**
NET ASSETS		**27,180,382**	**27,486,132**
Equity			
Called up share capital	15	**10,000,100**	10,000,100
Capital contribution	16	**11,150,000**	11,150,000
Retained earnings		**6,030,282**	6,336,032
TOTAL EQUITY		**27,180,382**	**27,486,132**

The financial statements on pages 8 to 19 were approved by the board of directors and signed on its behalf by:

S T Hamilton
14 November 2019
UK Steel Enterprise Limited
Registered No: 535960

Notes and related statements forming part of these accounts appear on pages 11 to 19.

E3. Statement of changes in equity

For the financial year ended 31 March

	Share capital	Capital contribution (note 16)	Retained Earnings	**Total equity**
	£	£	£	**£**
Balance as at 1 April 2017	10,000,100	11,150,000	5,967,068	**27,117,168**
Profit for the year	-	-	368,964	**368,964**
Total comprehensive profit for the year	-	-	368,964	**368,964**
Balance as at 31 March 2018	10,000,100	11,150,000	6,336,032	**27,486,132**
Loss for the year	-	-	(305,750)	**(305,750)**
Total comprehensive loss for the year	-	-	(305,750)	**(305,750)**
Balance as at 31 March 2019	**10,000,100**	**11,150,000**	**6,030,282**	**27,180,382**

Notes and related statements forming part of these accounts appear on pages 11 to 19.

E4. Presentation of accounts and accounting policies

I Basis of preparation

UK Steel Enterprise Limited (UKSE) is a private limited company incorporated and domiciled in the United Kingdom (registered office: The Innovation Centre, 217 Portobello, Sheffield S1 4DP) under the Companies Act 2006. The functional and presentational currency of the Company is sterling.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets (including intangible and tangible assets), presentation of a cash flow statement (IAS 7), standards not yet effective (IAS 8) and related party transactions (IAS 24) with Tata Steel group. Where relevant, further disclosure exemptions have been taken including the IFRS 7 requirement to provide disclosures on financial instruments on the basis that equivalent disclosures have been given in the group accounts of Tata Steel Europe Limited (TSE).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments and in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in the current and prior period, except for the application of International Financial Reporting Standards (IFRS) 9 and 15 which have been applied as a difference in accounting policy in the current year. The adoption of these new standards did not have a material impact on the Company's financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014). The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has not restated comparatives.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting

Applying the new requirements has not had a material impact on the Company's financial statements:

Applying the revised Expected Credit Losses (ECL) methodology did not result in any material change to the loss allowance recorded under IAS 39. Except for the changes to impairment methodology as noted above, the remainder of the differences as a result of adoption of IFRS 9 are limited to immaterial presentational and disclosure changes. Refer to note V for the revised accounting policy applied within the Company.

IFRS 15 "Revenue from Contracts with Customers" provides a unified five step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognise revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue.

The Company's revenue is predominantly derived from the single performance obligation to provide business premises. As part of the adoption process, the Company assessed its performance obligations underlying the revenue recognition and assessed that the new requirements has not had a material impact on the Company's financial statements. Accordingly, no adjustments have been made to the Company's opening reserves.

The Company is a wholly-owned subsidiary of Tata Steel Europe Limited and is included in the consolidated financial statements of Tata Steel Europe Limited, which are publically available. Consequently, the Company has taken advantage of the exemption of preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

As set out in the Directors' Report on page 3, 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 the valuation of unlisted investments, the recoverability of loans, the recognition of deferred tax assets and the useful economic lives of property, plant and equipment . 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) Valuation of unquoted equity investments
The fair values of the unqouted equity investments are determined in accordance with generally accepted pricing models based on recent known transactions where available but failing that valuation models based upon earnings multiples or discounted net assets are used. See note 10 for the net carrying value of the unquoted equity investments.

(b) Recoverability of loans and other receivables

The Company makes an estimate of the recoverable value of loans and other receivables. When assessing impairment of loans and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 expected credit loss approach to measuring expected credit losses which uses a mix of a 12 month expected loss allowance and a lifetime expected loss allowance for all loans and other receivables. See note 10 and 11 for the net carrying amount of the receivables and associated impairment provision.

(c) Recognition of deferred tax assets

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 13.

(d) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property plant and equipment, and section IV (a) for the useful economic lives for each class of assets.

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

III Going concern

The directors have assessed the future funding requirements of the Company and the amounts due to them from fellow group undertakings and have compared them to the level of available borrowing facilities, including working capital facilities authorised and supported by the ultimate parent, Tata Steel Limited ('TSL'). In undertaking this assessment the directors have given due regard to the assessment undertaken by the Tata Steel Europe ('TSE') directors as disclosed in those financial statements for the year ended 31 March 2019. The directors acknowledge that its intermediate parent, Tata Steel Netherlands Holdings BV is required to make facility repayments in July 2020 of €38.8m and $9.8m, in October 2020 of €187.5m and $47.4m and also the availability of the Revolving Credit Facility will expire in October 2020.

The directors have taken into account that TSE and its subsidiaries, as outlined in the TSE financial statements, will benefit from an on-going commitment from TSL, provided in part by way of direct commitment and in part through a comfort letter provided in traditional form by its affiliate company, TS Global Holdings Pte Ltd. Accordingly, the directors have made some assumptions as to the continued availability of debt financing, including that a further refinancing will be achieved of the TSE Group's existing debt funding facilities, as has been achieved successfully in 2010 and 2014. The directors have assured themselves sufficiently of and taken into account that TSE and its subsidiaries have historically benefitted from and would continue to benefit from support from its ultimate parent, TSL and TSL's subsidiaries, including if so required, an injection of funds in an amount which is materially more than the scheduled debt service obligations of the TSE Group over the projected period. The directors have also satisfied themselves that the ultimate parent, TSL has, or will have access to, sufficient funds in relation to the above.

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.

IV Critical accounting policies

(a) Property, plant and equipment and depreciation

Property plant and equipment is stated at original cost less accumulated depreciation and any recognised impairment loss. Cost is purchase cost together with any incidental expense of acquisition.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

	%
Freehold land	-
Freehold buildings	4
Leasehold property	4
Equipment	10-33

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable.

(b) 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.

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.

(c) 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.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial ssets

Instruments, which include loans and other receivables amounts due from group companies, that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets, which includes unquoted equity investments, are measured subsequently at fair value through profit or loss (FVTPL).

(ii) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all financial instruments which includes intercompany receivables, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

V Other accounting policies

(a) Revenue

The Company's revenue is primarily derived from the single performance obligation to provide business premises under arrangements in which the rights of the services and the fulfilment of the Company's performance obligation occur at the same time.

Revenue from the provision of letting business premises and ancillary services is recognised when the Company has given occupancy of the premises and provided the ancillary services to the buyer and the buyer obtains the benefits from their occupancy of the lettable space and the services, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the services.

(b) Pension costs

The Company participates in the British Steel Pension Scheme (BSPS). The assets and liabilities of the scheme are held independently from the Company. For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the BSPS participating companies the net defined benefit cost. Therefore, the Company accounts for contributions to the scheme as if it were a defined contribution scheme.

For defined contribution schemes, the amount charged to the income statement account is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(c) Government and European grants

Government grants and other capital grants received and receivable are credited to deferred income and released to the income statement over the estimated useful life of the assets to which they relate. In the exceptional circumstances where grant funding is made available, usually from European Union funds, to enable the construction of a building which has a lower net realisable value than purchase price or production cost, the release of the grant to the income statement is accelerated up to a maximum of any impairment loss.

(d) Leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term. The Company does not have any finance leases.

The impact of adopting IFRS 16 ('Leases') on the 1st April 2019 will not be material.

For the financial year ended 31 March:

1. Revenue

The Company's revenue all arose from one class of activity and all in the United Kingdom.

2. Operating costs

	2019 £	2018 £
Costs by type:		
Employment costs (note 5)	**1,713,302**	1,582,044
Depreciation	**735,674**	753,728
Other operating charges	**2,132,271**	2,078,639
Profit on disposal of fixed assets	**-**	(118,825)
Movement in valuation of loans and receivables	**176,178**	73,573
Revaluation of equity investments	**(152,400)**	(578,622)
	4,605,025	3,790,537

	2019 £	2018 £
The above costs are stated after charging:		
Depreciation of property, plant and equipment (owned assets)	**735,674**	753,728
Operating lease payments: Hire of motor vehicles	**36,297**	37,103
Auditors' remuneration for audit services	**6,868**	6,868

There were no other fees payable to the auditor in respect of non-audit services for the year (2018: £nil).

3. Other operating income

	2019 £	2018 £
Dividends received from equity investments	**525,441**	592,946
Income from loans and receivables	**405,177**	324,493
Monitoring and arrangement fees	**82,100**	88,950
Amortisation of grant income (note 14)	**51,290**	51,290
	1,064,008	1,057,679

4. Directors emoluments

	2019 £	2018 £
Aggregate emoluments	**155,173**	145,799

Retirement benefits are accruing to one director under a defined benefit pension scheme (2018: 1).

The emoluments of Mr. Harvey and Mr. Jaques were paid by an intermediate parent company. Their services to UKSE are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of Mr. Harvey and Mr. Jaques.

5. Employees

The average number of employees (including executive directors) by activity during the year was:

	2019 Number	2018 Number
Administration	**29**	29

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

	2019 £	2018 £
Wages and salaries	**1,359,408**	1,259,620
Social security costs	**161,184**	146,610
Other pensions costs (note 19)	**192,710**	175,814
	1,713,302	1,582,044

6. Finance income

	2019 £	2018 £
Group interest receivable	**68,095**	59,058
Other interest receivable	**333**	-
	68,428	59,058

7. Tax on (loss)/profit

The total taxation in the income statement for the year can be reconciled to the accounting (loss)/profit as follows:

	2019 £	2018 £
Current year tax	**-**	-

The current year tax can be reconciled to the accounting profit/(loss) as follows:

	2019 £	2018 £
Profit/(loss) before taxation	**(305,750)**	368,964
Profit/(loss) multiplied by the standard corporation tax rate of 19% (2018: 19%)	**(58,093)**	70,103
Changes in unrecognised tax losses	**48,369**	12,188
Other permanent differences	**9,724**	(82,291)
	-	-

Legislation has been enacted which has reduced the corporation tax rate to 19% with effect from 1 April 2017, and 17% with effect from 1 April 2020.

8. Property, plant and equipment

	Long leasehold buildings £	Freehold land and buildings £	Equipment £	Total £
Cost as at 1 April 2018	12,268,229	11,963,753	251,931	**24,483,913**
Additions	-	-	4,830	**4,830**
Disposals	-	-	(11,851)	**(11,851)**
Cost as at 31 March 2019	12,268,229	11,963,753	244,910	**24,476,892**
Depreciation as at 1 April 2018	(7,714,123)	(7,717,756)	(175,799)	**(15,607,678)**
Charge for the year	(371,640)	(320,388)	(43,646)	**(735,674)**
Disposals	-	-	11,851	**11,851**
Depreciation as at 31 March 2019	(8,085,763)	(8,038,144)	(207,594)	**(16,331,501)**
Net book value as at 31 March 2019	**4,182,466**	**3,925,609**	**37,316**	**8,145,391**
Net book value as at 31 March 2018	4,554,106	4,245,997	76,132	8,876,235

9. Investments in subsidiary undertakings

	2019	2018
	£	£
Cost and net book value	**35,000**	35,000

The Company owns 100% of the ordinary share capital of UKSE Fund Managers Limited which is currently in liquidation and has the same registered address that is disclosed on page 2.

10. Other investments

	Unquoted equity investments	Loans and receivables	2019 Total	2018 Total
	£	£	**£**	£
Carrying value as at 1 April 2018	4,219,800	5,400,795	**9,620,595**	7,573,216
Additions	491,450	2,492,700	**2,984,150**	3,847,500
Disposal, repayments and recoveries	-	(2,118,573)	**(2,118,573)**	(2,269,499)
Revaluations	18,450	-	**18,450**	630,097
Amortisation	-	8,425	**8,425**	8,910
Movements in fair value	-	(248,127)	**(248,127)**	(169,629)
Carrying value as at 31 March 2019	4,729,700	5,535,220	**10,264,920**	9,620,595

The unquoted equity investments are categorised within Fair Value Through Profit and Loss (FVTPL) in accordance with IFRS 9.

The fair values of the unquoted equity instruments are determined in accordance with generally accepted pricing models based on recent known transactions where available but failing that valuation models based upon earnings multiples or discounted net assets are used.

Those investments in which the Company holds 20% or more of the nominal value of any class of share are detailed below. All of these investments are in companies that are incorporated in the United Kingdom.

Company name	Class of shares held	Propertion of nominal value of class held
Abbeydale Food Group Ltd	Preferred ordinary	100%
Achnacarry Ltd	Preferred ordinary	100%
ACM Bearings Ltd	Ordinary	34%
Antibody Analytics Ltd	Preferred ordinary (A class)	100%
Architectural Fabrications Ltd	Preferred ordinary	100%
Bolton Surgical Ltd	Preferred ordinary	100%
Camal Enterprises Ltd	Preferred ordinary	100%
Clearwater Controls Ltd	Preferred ordinary	100%
Conversant Technologies Ltd	Preferred ordinary (A class)	30%
Covol Engineering Ltd	Preferred ordinary	100%
CVO Holding Ltd	Preferred ordinary	100%
Eurosource Ltd	Preferred ordinary	100%
Fame Solutions Ltd	Preferred ordinary	100%
Fuellink Holdings (Scotland) Ltd	Preferred ordinary	100%
GMSS Holding Ltd	Preferred ordinary	100%
GMSS Holding Ltd	Preference	100%
Hartlepool Investments Ltd	Preferred ordinary	100%
IDS Holdings Ltd	Preferred ordinary	100%
Industrial Pumps Ltd	Preferred ordinary	100%
Intrasource Ltd	Preferred ordinary	100%
KHT Investments Ltd	Preferred ordinary	100%
KHT Investments Ltd	Preference	100%
L & R Holdings Ltd	Preferred ordinary	100%
Liquitherm Ltd	Preferred ordinary	100%
Magnetic Systems Technology Ltd	Preferred ordinary	100%
Martin Aerospace Ltd	Preferred ordinary	100%
McCalls Special Products Ltd	Preferred ordinary	100%
Micropore Technologies Ltd	Preferred ordinary (A class)	35%
Pinnacle Re-Tec Ltd	Preferred ordinary	100%
SB & AS Holdings Ltd	Preferred ordinary	100%
Stylco UK Ltd	Preferred ordinary	100%
Surgical Dynamics Ltd	Preferred ordinary	100%
Sutherland Trading Company Ltd	Preferred ordinary	100%
Tekfloor Ltd	Preferred ordinary	100%

11. Trade and other receivables

	2019 £	2018 £
Amounts due from group companies	**11,206,448**	11,830,390
Prepayments and accrued income	**94,941**	67,726
Other debtors	**29,296**	30,766
	11,330,685	11,928,882

Amounts owed by group undertakings are unsecured, earn interest at Bank of England base rate, have no fixed date of repayment and are repayable upon demand.

12. Trade and other payables

	2019 £	2018 £
Trade payables	**55,968**	105,005
Deposits held	**564,957**	546,769
Other taxation and social security	**20,071**	15,093
Other creditors	**2,470,022**	3,016,765
	3,111,018	3,683,632

13. Deferred tax

2019	Accelerated tax depreciation £	Tax losses £	Other £	Total £
At 1 April 2018	(114,322)	114,322	-	-
Credited/(charged) to income statement	112,433	(112,433)	-	-
At 31 March 2019	**(1,889)**	**1,889**	**-**	**-**

2018	Accelerated tax depreciation £	Tax losses £	Other £	Total £
At 1 April 2017	(107,088)	382,072	(274,984)	-
Credited/(charged) to income statement	(7,234)	(267,750)	274,984	-
At 31 March 2018	**(114,322)**	**114,322**	**-**	**-**

A deferred tax asset is not recognised in respect of tax losses of £5,519,541 (2018: £4,556,630) due to the uncertainty of utilisation.

14. Deferred income

The movement in Government, European Union and other capital grants during the period is shown below:

	2019 £	2018 £
At beginning of period	**595,935**	647,225
Released to income statement (note 3)	**(51,290)**	(51,290)
	544,645	595,935

15. Called up share capital

The share capital of the Company is shown below:

Authorised	2019 £	2018 £
12,000,000 (2018: 12,000,000) ordinary shares of £1 each	**12,000,000**	12,000,000

Allotted, called up and fully paid	2019 £	2018 £
10,000,100 (2018: 10,000,100) ordinary shares of £1 each	**10,000,100**	10,000,100

No additional shares were issued during the financial year.

16. Capital contribution

The capital contribution to the Company is shown below:

	2019	2018
	£	£
Capital contribution	**11,150,000**	11,150,000

The capital contribution represents loans from TSUK. The loans are non-interest bearing and only become due for repayment in the event of the Company ceasing trading or entering a winding up. The agreement contains no obligations to deliver any cash or other financial assets and so, in accordance with IAS 32, the capital contribution is treated as equity.

17. Contingencies and commitments

	2019	2018
	£	£
Loans and investments in share capital committed but not paid	**175,000**	50,000

Outstanding commitments for future minimum lease payments under operating lease commitments relating to motor vehicles are as follows:

Within 1 year	**33,650**	12,953
Between 2 to 5 years	**77,567**	16,018
	111,217	28,971

Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years.

18. Ring fenced funds

Within current assets there are European Regional Development Fund grant assisted investments funds which have been set up for investments in specific areas of the UK. Under the terms of the different schemes, these funds are being ring fenced for investment in accordance with the scheme rules. The totals of these funds as at the year end are as shown below:

	2019	2018
	£	£
Yorkshire and Humberside Enterprise Fund	**937,475**	1,118,258
South Wales Technology and Enterprise Fund	**-**	374,963
North of England Venture Capital Fund	**76,086**	49,445
	1,013,561	1,542,666

19. Pensions

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 year by the Company at rates specified by the rules of those plans.

Defined benefit scheme

The Company participates in the defined benefit British Steel Pension Scheme (BSPS), the assets and liabilities of which are held independently from the Company. For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the BSPS participating companies the net defined benefit cost. Therefore the Company accounts for contributions to the scheme as if it were a defined contribution scheme but there were no such contributions in the year. Further details of the BSPS and its accounting under IAS 19 are contained in the accounts of TSUK.

20. Financial risk management

Credit risk

The Company's financial assets are predominantly unsecured investments in unquoted small and medium sized companies, in which the Directors consider the maximum credit risk to be the carrying value of the asset. The portfolio is well diversified and so the credit risk is managed on an individual asset basis.

Liquidity risk
During the financial period the Company generated a cash deficit before administration costs of £113,000 (2018: surplus of £32,000) from its investing activities and at the end of the period it had resources, via a facility with its parent company of £11m (2018: £12m). The Directors currently view liquidity risk as low.

Price risk
The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Company does not hedge the market risk inherent in the portfolio but manages asset performance on an asset specific basis.

Currency risk
The Company invests in UK based companies and deals solely in sterling. Consequently there is no currency risk.

Interest rate risk
The Company invests almost entirely in fixed rate assets being funded solely from shareholders' funds. The Company does not actively manage its interest rate risk.

All loans and receivables held by the Company earn fixed interest rates and are being serviced by regular periodic interest and capital payments. The table below provides a breakdown of these assets by interest rate and the year in which the final repayment is scheduled to be made.

At 31 March 2019

Interest rate	1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	**Total £'000**
0.0%	8	-	-	-	-	**8**
3.0%	1	-	5	-		**6**
4.5%		-	3	-		**3**
5.0%	6	8	174	-	-	**188**
6.0%	1	4	93	-	-	**98**
6.5%	-	15	21	-	-	**36**
7.0%	-	158	-	118	-	**276**
7.5%	-	193	-	-	-	**193**
8.0%	424	196	568	1,745	500	**3,433**
8.5%	8	-	53	-	-	**61**
9.0%	-	102	204	99	-	**405**
9.5%	-	14	-	30	-	**44**
10.0%	34	39	194	314	-	**581**
10.5%	-	-	-	-	-	**-**
11.0%	-	70	133	-	-	**203**
	482	**799**	**1,448**	**2,306**	**500**	**5,535**

At 31 March 2018

Interest rate	1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	**Total £'000**
0.0%	-	53	-	-	-	**53**
3.0%	-	2	10	-	-	**12**
4.5%	-	-	-	-	-	**-**
5.0%	-	16	-	243	-	**259**
6.0%	6	4	6	119	-	**135**
6.5%	-	-	27	-	-	**27**
7.0%	3	61	255	-	148	**467**
7.5%	-	-	276	-	-	**276**
8.0%	105	522	155	1,775	309	**2,866**
8.5%	2	46	71	-	-	**119**
9.0%	8	30	241	78	-	**357**
9.5%	-	-	-	-	36	**36**
10.0%	47	21	110	461	-	**639**
10.5%	-	49	40	-		**89**
11.0%	16	-	50	-	-	**66**
	187	**804**	**1,241**	**2,676**	**493**	**5,401**

21. Related party transactions

The Company has taken advantage of the exemption in FRS 101, which exempts wholly owned subsidiaries from disclosing related party transactions with other wholly owned subsidiaries within the same group and from disclosure of key management personnel information.

22. Ultimate and immediate parent company

TSUK is the Company's immediate parent company by nature of its 100% interest in the share capital of the Company. Tata Steel UK Holdings Limited, a company incorporated in England and Wales, is the company's intermediate parent company and 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 is the largest group for which group financial statements are prepared. Copies of the Report and Accounts for TSL may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

23. Post balance sheet events

In June 2019, an offer was made to acquire one of the businesses in which the Company held an equity investment. This offer was accepted by the business and the sale completed in September 2019. The Company received sale proceeds that were £829,121 above the carrying value at 31 March 2019. In accordance with the Company's accounting policies, this gain will be recognised in the results of teh Company for the year ending 31 March 2020.