

UK Steel Enterprise Limited

Report & Accounts 2016

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A. Directors and advisors

Directors

The following directors all served throughout the period and subsequently to the date of this report unless otherwise stated:

Mr A J Johnston

Mr S T Hamilton

Mr C L Harvey

Lord Brookman (resigned 16 September 2015)

Mr A V L Williams

Mr M J Leahy

Mr P R Martin (resigned 8 June 2016)

Secretary and registered office

R Thomas

The Innovation Centre

217 Portobello

Sheffield

S1 4DP

Company Number

535960

Auditor

Deloitte LLP

Leeds

B. Directors' report

Introduction

The Directors submit herewith the audited financial statements of UK Steel Enterprise Limited ('The Company') for the year ended 2 April 2016.

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 and operates as part of the Group's Central and other activities division.

The principal objective of the Company is to assist in the regeneration of those areas of the UK which have been affected by the 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

On 29 March 2016, following a recommendation from Tata Steel Limited ('TSL'), the Company's ultimate shareholder, the Directors of Tata Steel Europe Limited ('TSE') resolved to consider all possible restructuring options including the potential divestment of Tata Steel UK Limited ('TSUK'). This process has started and remains ongoing but, pending its conclusion, the outcome of the restructuring or sale remain uncertain.

TSE and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement Co. Pte Limited ('TSGP') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision

of working capital support to TSE and its subsidiaries subject to certain restrictions.

Based on the mandate of the ultimate parent of the Company, TSL, on 29 March 2016, the Board of TSE is evaluating all options for TSUK, including the potential divestment. Currently, the process of evaluation of a potential divestment is underway and representatives of TSE are engaged in discussions with the UK and Welsh Government to facilitate the restructuring options. In the absence of a conclusive outcome of the restructuring or sale, there exists a material uncertainty for the future of TSUK.

For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the directors of the Company have concluded that it is appropriate to prepare these financial statements for the Company on a going concern basis. However, if TSUK were not a going concern, adjustments might be required to the Company's financial statements, in particular to write down the carrying value of an inter-company loan receivable with TSUK which at 2 April 2016 was £12.6m.

The Board

The directors of the Company are listed on page 2.

Results and dividends

The results of the Company show turnover for the year ended 2 April 2016 of £2,870,738 (2015: £2,924,153) and a pre-tax profit of £364,714 (2015: Loss of £181,232).

The directors do not recommend the payment of a dividend in respect of the year ended 2 April 2016 (2015: £nil).

B. Directors' report

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

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

- a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) the director has taken all the relevant steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

An elective resolution has been passed dispensing with the requirement to appoint the auditor annually, and Deloitte 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 on behalf of the Board



R Thomas

Company Secretary

Registered Office:

The Innovation Centre

217 Portobello

Sheffield

S1 4DP

18 July 2016

C. 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 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 these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- 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 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.

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

We have audited the financial statements of UK Steel Enterprise Limited for the year ended 2 April 2016 which comprise the income statement account, the balance sheet, the statement of changes in equity, the presentation of accounts and accounting policies and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 '*Reduced Disclosure Framework*'.

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 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 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 financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 '*Reduced Disclosure Framework*'; 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Emphasis of matter – carrying value of assets relating to Tata Steel UK Limited ('TSUK')

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in section E4 (part III) of the financial statements concerning the material uncertainty relating to the ongoing

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

restructuring and sales process of a fellow group subsidiary (TSUK) of the Company's parent Tata Steel Europe Limited ('TSE'). The uncertainty over the completion of the restructuring or sale of TSUK and the provision of working capital support to TSUK along with the other matters set out on page 11 indicates the existence of a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The directors have considered the position of TSUK, its arrangements with TSUK and the mitigating actions it could take and on this basis the directors have concluded that it is appropriate to prepare the financial statements for the Company on a going concern basis. However, if TSUK were not a going concern, adjustments might be required to the financial statements in particular to write down the carrying value of the inter-company loans to TSUK in the Company's balance sheet. The financial statements do not include the adjustments that would result from a potential sale or restructuring of TSUK as it is not practicable to identify or quantify them.



Matthew Hughes BSc (Hons) (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

19th July 2016

E1. Income statement

For the financial year ended 2 April (2015: 28 March)

	Note	2016 £	2015 £
Revenue	1	2,870,738	2,924,153
Operating costs	2	(3,469,988)	(3,950,248)
Operating income	3	902,240	787,821
Operating profit / (loss)		302,990	(238,274)
Finance income	6	61,724	57,042
Profit / (loss) before taxation		364,714	(181,232)
Taxation	7	-	-
Profit / (loss) after taxation		364,714	(181,232)

All references to 2016 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 23 refer to the financial year ended 2 April 2016 or as at 2 April 2016 as appropriate (2015: the financial year ended 28 March 2015 or as at 28 March 2015)

Statement of comprehensive income

The Company has no other 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 20.

E2. Balance sheet

As at 2 April (2015: 28 March)

	Note	2016 £	2015 £
Non-current assets			
Property, plant and equipment	8	9,947,353	10,102,330
Investments in subsidiaries	9	35,000	35,000
Other investments	10	6,838,329	5,845,672
		16,820,682	15,983,002
Current assets			
Trade and other receivables	11	12,719,890	12,536,191
Cash and short term deposits		1,024,800	696,081
		13,744,690	13,232,272
TOTAL ASSETS		30,565,372	29,215,274
Current liabilities			
Trade and other payables	12	(2,559,307)	(2,022,633)
		(2,559,307)	(2,022,633)
Non-current liabilities			
Deferred income	14	(698,515)	(749,805)
		(698,515)	(749,805)
TOTAL LIABILITIES		(3,257,822)	(2,772,438)
NET ASSETS		27,307,550	26,442,836
Equity			
Called up share capital	15	10,000,100	10,000,100
Capital contribution		11,150,000	10,650,000
Retained earnings		6,157,450	5,792,736
TOTAL EQUITY		27,307,550	26,442,836

The financial statements on pages 8 to 20 were approved by the board of directors and signed on its behalf by:



S T Hamilton

18 July 2016

UK Steel Enterprise Limited

Registered No: 535960

Notes and related statements forming part of these accounts appear on pages 9 to 17

E3. Statement of changes in equity

	Share capital	Capital contribution (note 16)	Retained earnings	Total equity
	£	£	£	£
Balance as at 29 March 2014	10,000,100	10,650,000	5,973,968	26,624,068
Loss for the year	-	-	(181,232)	(181,232)
Total comprehensive loss for the year	-	-	(181,232)	(181,232)
Balance as at 28 March 2015	10,000,100	10,650,000	5,792,736	26,442,836
Profit for the year	-	-	364,714	364,716
Received in the year	-	500,000	-	500,000
Total comprehensive profit for the year	-	500,000	364,716	864,716
Balance as at 2 April 2016	10,000,100	11,150,000	6,157,452	27,307,552

Notes and related statements forming part of these accounts appear on pages 11 to 20

E4. Presentation of accounts and accounting policies

I Basis of preparation

UK Steel Enterprise Limited (UKSE) 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 Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. FRS 101 'Reduced Disclosure Framework' ('FRS 101') as issued by the Financial Reporting Council became effective for accounting periods beginning on or after 1 January 2015. As such these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. There is no impact on the Company of the adoption of FRS 101.

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, standards not yet effective, related party transactions with Tata Steel group companies and the requirement to present an opening balance sheet at the date of transition. Where relevant, further disclosure exemptions have been taken including the 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 group accounts of TSE are available to the public and can be obtained as set out in Note 22.

The Company has elected to measure its assets and liabilities at the previous GAAP carrying value at the date of transition in accordance with FRS 101.

The Company has chosen to early adopt the changes to FRS 100 and 101 arising from the new EU accounting directive implemented in the UK by the Companies, Partnership and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980). One of the key aspects of the amendments relevant to UKSE includes greater flexibility in relation to the format of the income statement account and balance sheet, allowing the use of a presentation close to IFRS-based financial statements.

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.

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.

Group accounts have not been prepared as the Company is a wholly owned indirect subsidiary of TSE, which has prepared consolidated accounts for the year ended 2 April 2016.

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 judgements in applying the Company's accounting policies arise in relation to the valuation of unlisted investments and the recoverability of loans. These areas rely upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

A significant part of the Company's capital is invested in tangible assets. Determining the depreciation policies of these fixed assets requires estimation of the future residual value and period of economic value.

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

III Going concern

On 29 March 2016, following a recommendation from Tata Steel Limited ('TSL'), the Company's ultimate shareholder, the Directors of Tata Steel Europe Limited ('TSE') resolved to consider all possible restructuring options including the potential divestment of Tata Steel UK Limited ('TSUK'). This process has started and remains ongoing but, pending its conclusion, the outcome of the restructuring or sale remain uncertain.

TSE and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement Co. Pte Limited ('TSGP') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to TSE and its subsidiaries subject to certain restrictions.

Based on the mandate of the ultimate parent of the Company, TSL, on 29 March 2016, the Board of TSE is evaluating all options for TSUK, including the potential divestment. Currently, the process of evaluation of a potential divestment is underway and representatives of TSE are engaged in discussions with the UK and Welsh Government to facilitate the restructuring options. In the absence of a conclusive outcome of the restructuring or sale, there exists a material uncertainty for the future of TSUK.

For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of

E4. Presentation of accounts and accounting policies

TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the directors of the Company have concluded that it is appropriate to prepare these financial statements for the Company on a going concern basis. However, if TSUK were not a going concern, adjustments might be required to the Company's financial statements, in particular to write down the carrying value of an inter-company loan receivable with TSUK which at 2 April 2016 was £12.6m.

However, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result from a potential sale or restructuring of TSUK as it is not practicable to identify or quantify them.

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) Revenue

Revenue is stated net of value added tax and comprises amounts due from workshop tenants for property rentals, license fees and services provided (gas, electricity, rates, etc) and is recognised as services are transferred to the customer under contractual terms. Revenue is wholly attributable to trading in the United Kingdom.

(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.

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.

(d) Pension costs

The Company participates in the British Steel Pension Scheme. This is both a defined contribution and a defined benefit multi-employer scheme, 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 BSPPS 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.

(e) 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) Trade receivables

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 income statement account. Subsequent recoveries of amounts previously provided for are credited to the income statement account.

(ii) Investments

Equity investments are classified as fair value through profit and loss (FVTPL).

Investments in fixed income preference shares and other loans are initially measured at fair value, including transaction expenses. They are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are measured at amortised cost using the effective interest rate method.

(ii) Equity related instrument

The long term loan from TSUK has been classified as a capital contribution in equity in accordance with IAS 32 on the basis that its repayment is contingent on the liquidation or winding up of the Company, which can be ignored for the purposes of classifying the instrument as either debt or equity.

(f) 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

E4. Presentation of accounts and accounting policies

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.

(g) 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.

E5. Notes to the financial statements

For the financial year ended 2 April (2015: 28 March):

1. Revenue

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

2. Operating costs

	2016	2015
	£	£
Costs by type:		
Employment costs (note 5)	1,335,763	1,335,359
Depreciation	683,429	668,079
Other operating charges	1,905,287	2,137,810
Movement in valuation of loans and receivables	233,227	38,657
Revaluations of equity investments	(687,718)	(229,657)
	3,469,988	3,950,248

	2016	2015
	£	£
The above costs are stated after charging:		
Depreciation of property, plant and equipment (owned assets)	683,429	668,079
Operating lease payments: Hire of motor vehicles	49,339	51,519
Auditor's remuneration for audit services	9,811	9,811

There were no other fees payable to the auditor in respect of non-audit services for the period (2015:£nil).

3. Operating income

	2016	2015
	£	£
Dividends received from equity investments	333,316	199,848
Income from loans and receivables	368,883	370,265
Monitoring and arrangement fees	56,150	53,300
Sundry property income	-	69,425
Revenue grant income	92,601	43,693
Amortisation of grant income (note 14)	51,290	51,290
	902,240	787,821

4. Directors emoluments

	2016	2015
	£	£
Aggregate emoluments	132,584	115,337

Retirement benefits are accruing to one director under a defined benefit pension scheme (2015: 1).

The emoluments of Mr. Harvey and Mr. Martin 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. Martin.

E5. Notes to the financial statements

5. Employees

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

	2016 Number	2015 Number
Administration	27	26

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

	2016 £	2015 £
Wages and salaries	1,048,567	1,049,612
Social security costs	102,696	99,481
Other pension costs (note 19)	184,500	186,266
	1,335,763	1,335,359

6. Finance income

	2016 £	2015 £
Group interest receivable	61,724	57,042

7. Taxation

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

	2016 £	2015 £
Current year tax	-	-

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

	2016 £	2015 £
Profit/(loss) before taxation	364,714	(181,232)
Profit/(loss) multiplied by the standard corporation tax rate of 20% (2015: 21%)	72,943	(38,059)
Effects of temporary timing differences between taxable and accounting loss:		
Accelerated capital allowances	(20,565)	(23,070)
Other timing differences	(132,008)	(40,476)
Effects of permanent timing differences between taxable and accounting profit/(loss):		
Changes in unrecognised tax losses carried forward	(473)	(42,131)
Other permanent differences	80,103	143,736
	-	-

The reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. Since that date, further legislation has been enacted which has reduced the corporation tax rate to 19% with effect from 1 April 2017, and 18% with effect from 1 April 2020.

E5. Notes to the financial statements

8. Property, plant and equipment

	Long leasehold buildings £	Freehold land and buildings £	Equipment £	Total £
Cost as at 28 March 2015	12,259,675	11,187,857	297,735	23,745,267
Additions	-	422,410	106,042	528,452
Disposals	-	-	(2,375)	(2,375)
Cost as at 2 April 2016	12,259,675	11,610,267	401,402	24,271,344
Depreciation as at 28 March 2015	(6,600,229)	(6,790,036)	(252,673)	(13,642,937)
Charge for the period	(371,298)	(290,717)	(21,414)	(683,429)
Disposals	-	-	2,375	2,375
Depreciation as at 2 April 2016	(6,971,527)	(7,080,753)	(271,711)	(14,323,991)
Net book value as at 2 April 2016	5,288,148	4,529,514	129,691	9,947,353
Net book value as at 28 March 2015	5,742,516	4,314,752	45,062	10,102,330

9. Investments in subsidiary undertakings

	2016 £	2015 £
Cost and net book value	35,000	35,000

The Company owns 100% of the ordinary share capital of UKSE Fund Managers Limited. UKSE Fund Managers Limited's only subsidiary, UKSE Fund Managers (General Partner) Limited, was dissolved on 5 May 2015.

10. Other investments

	Unquoted equity investments £	Loans and receivables £	2016 Total £	2015 Total £
Carrying value as at 28 March 2015	1,544,534	4,301,138	5,845,672	5,281,696
Additions	300,185	2,957,504	3,257,689	2,435,000
Disposals, repayments and recoveries	(198,750)	(2,383,762)	(2,582,512)	(2,062,024)
Revaluations	660,220	-	660,220	229,657
Movements in fair value	-	(342,740)	(342,740)	(38,657)
Carrying value as at 2 April 2016	2,306,189	4,532,140	6,838,329	5,845,672

The unquoted equity investments are categorised within Fair Value Through Profit and Loss (FVTPL) in accordance with IAS 39.

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 share held	Proportion of nominal value of class held
Abbeyle Food Group Ltd	Preferred ordinary	100%
Achnacary Ltd	Preferred ordinary	100%
ACM Bearings Ltd	Ordinary	34%
Bolton Surgical Ltd	Preferred ordinary	100%
Camal Enterprises Ltd	Preferred ordinary	100%
Durable Technologies Manufacturing Ltd	Preferred ordinary	100%
Enviro Power Services Ltd	Preferred ordinary	100%
Eurosource Ltd	Preferred ordinary	100%
Fame Solutions Ltd	Preferred ordinary	100%
FJG 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%
Hydra Technologies Ltd	Preferred ordinary	100%
Industrial Pumps Ltd	Preferred ordinary	100%
JDP Contracting (Holdings) Ltd	Preferred ordinary (A class)	100%

E5. Notes to the financial statements

Company name	Class of share held	Proportion of nominal value of class held
JFS Associates Ltd	Preferred ordinary	100%
Martin Aerospace Ltd	Preferred ordinary	100%
McCalls Special Products Ltd	Preferred ordinary	100%
Natural Technology Developments	Preferred ordinary	26%
Pinnacle Re-Tec Ltd	Preferred ordinary	100%
Stylco UK Ltd	Preferred ordinary	100%
Surgical Dynamics Ltd	Preferred ordinary	100%
Sutherland Trading Company Ltd	Preferred ordinary	100%

11. Trade and other receivables

	2016	2015
	£	£
Amounts due from group companies	12,596,627	12,399,082
Prepayments and accrued income	47,386	49,540
Other debtors	75,877	87,569
	12,719,890	12,536,191

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

	2016	2015
	£	£
Trade payables	93,872	76,774
Amounts owed to group companies	-	1
Deposits held	511,079	482,368
Other taxation and social security	-	15,109
Other creditors	1,954,356	1,448,381
	2,559,307	2,022,633

13. Deferred tax

	Accelerated tax depreciation	Tax losses	Other	Total
	£	£	£	£
At 28 March 2015	(92,500)	177,330	(84,830)	-
Credited/(charged) to income statement	(20,565)	152,572	(132,007)	-
At 2 April 2016	(113,065)	329,902	(216,837)	-

A deferred tax asset is not recognised in respect of tax losses of £3,033,775 (2015: £3,841,222) 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:

	Total	Total
	2016	2015
	£	£
At beginning of period	749,805	801,095
Released to the income statement (note 3)	(51,290)	(51,290)
At end of period	698,515	749,805

E5. Notes to the financial statements

15. Called up share capital

The share capital of the Company is shown below:

Authorised	2016 £	2015 £
12,000,000 ordinary shares of £1 each	12,000,000	12,000,000
Allotted, called up and fully paid	2016 £	2015 £
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 of the Company is shown below:

	2016 £	2015 £
Capital contribution	11,150,000	10,650,000

The capital contribution represents a loan from Tata Steel UK Ltd. The loan is non-interest bearing and it only becomes 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, under in accordance with IAS 32, the capital contribution is treated as equity.

17. Contingencies and commitments

	2016 £	2015 £
Loans and investments in share capital committed but not paid	210,000	269,189
Capital expenditure commitments contracted not provided for	234,158	-

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

Within 1 year	6,112	8,522
Between 2 to 5 years	48,709	63,246
	54,821	71,768

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 period end are as shown below:

	2016 £	2015 £
Yorkshire and Humberside Enterprise Fund	1,133,500	1,131,705
South Wales Technology and Enterprise Fund	572,610	983,512
North of England Venture Capital Fund	129,524	148,970
	1,835,634	2,264,187

E5. Notes to the financial statements

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

Defined benefit scheme

The Company participates in the British Steel Pension Scheme. The British Steel Pension Scheme is a defined benefit multi-employer fund, 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 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. 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 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 surplus before administration costs of £648,000 (2015: £460,000) from its investing activities and at the end of the period it had resources, via a facility with its parent company of £12m (2015: £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 2 April 2016

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
3.0%	-	8	-	-	-	8
5.0%	1	-	31	-	-	32
6.0%	29	-	19	-	-	48
6.5%	-	35	-	-	-	35
7.0%	17	77	23	-	240	357
7.5%	-	39	218	-	400	657
8.0%	65	300	437	653	358	1,813
8.5%	25	81	36	96	400	638
9.0%	33	76	-	52	86	247
9.5%	-	25	27	-	-	52
10.0%	-	63	428	109	-	600
11.0%	-	-	45	-	-	45
	170	704	1,264	910	1,484	4,532

At 28 March 2015

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
3.0%	-	-	12	-	-	12
5.0%	23	3	31	-	-	57
6.0%	14	153	-	-	-	167
6.5%	-	-	54	-	-	54
7.0%	30	145	131	-	-	306
7.5%	-	-	75	-	-	75
8.0%	277	350	647	685	236	2,195
8.5%	-	48	150	42	218	458
9.0%	50	-	96	-	164	310
9.5%	-	-	75	-	-	75
10.0%	-	-	96	472	24	592
	394	699	1,367	1,199	642	4,301

E5. Notes to the financial statements

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

Tata Steel UK Limited 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. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. There is no impact on reported equity or profit and loss on the previous UK GAAP amounts.

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