UK Steel Enterprise Limited

Report & Accounts 2018

Contents

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
Mr A V L Williams
Mr M J Leahy
Mr C D Jaques

Secretary and registered office

R Thomas
The Innovation Centre
217 Portobello
Sheffield
S1 4DP

Company Number

00535960

Auditor

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 2018.

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

Principal activities

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

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of Presentation of accounts and accounting policies in the financial statements.

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 31 March 2018 of £3,042,764 (2017: £2,994,602) and a pre-tax profit of £368,964 (2017: pre-tax loss of £190,382).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2018 (2017: £nil).

Auditor

An elective resolution has been passed dispensing with the requirement to appoint the auditor annually, and PricewaterhouseCoopers 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

30 July 2018

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 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
30 July 2018

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

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 2018 and of its profit for the year then ended;
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice* (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

With respect to the 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 2018 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 on the company's financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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 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, United Kingdom
30 July 2018

E1. Income statement

For the financial year ended 31 March

	Note	2018 £	2017 £
Revenue	1	3,042,764	2,994,602
Operating costs	2	(3,790,537)	(4,094,058)
Operating income	3	1,057,679	849,002
Operating profit/(loss)		**309,906**	**(250,454)**
Finance income	6	59,058	60,072
Profit/(loss) before taxation		**368,964**	**(190,382)**
Taxation	7	-	-
Profit/(loss) after taxation		**368,964**	**(190,382)**

All references to 2018 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 2018 or as at 31 March 2018 as appropriate (2017: the financial year ended 31 March 2017 or as at 31 March 2017).

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 10 to 18.

E2. Balance sheet

As at 31 March

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	8	**8,876,235**	9,576,305
Investments and subsidiaries	9	**35,000**	35,000
Other investments	10	**9,620,595**	7,573,216
		18,531,830	**17,184,521**
Current assets			
Trade and other receivables	11	**11,928,882**	12,282,119
Cash and short term deposits		**1,304,987**	991,003
		13,233,869	**13,273,122**
TOTAL ASSETS		**31,765,699**	**30,457,643**
Current liabilities			
Trade and other payables	12	**(3,683,632)**	(2,693,250)
		(3,683,632)	**(2,693,250)**
Non-current liabilities			
Deferred income	14	**(595,935)**	(647,225)
		(595,935)	**(647,225)**
TOTAL LIABILITIES		**(4,279,567)**	**(3,340,475)**
NET ASSETS		**27,486,132**	**27,117,168**
Equity			
Called up share capital	15	**10,000,100**	10,000,100
Capital contribution	16	**11,150,000**	11,150,000
Retained earnings		**6,336,032**	5,967,068
TOTAL EQUITY		**27,486,132**	**27,117,168**

The financial statements on pages 7 to 18 were approved by the board of directors and signed on its behalf by:

S T Hamilton
30 July 2018
UK Steel Enterprise Limited
Registered No: 535960

Notes and related statements forming part of these accounts appear on pages 10 to 18.

E3. Statement of changes in equity

	Share capital	Capital contribution (note 16)	Retained Earnings	**Total equity**
	£	£	£	**£**
Balance as at 2 April 2016	10,000,100	11,150,000	6,157,450	**27,307,550**
Profit for the year	-	-	(190,382)	**(190,382)**
Total comprehensive profit for the year	-	-	(190,382)	**(190,382)**
Balance as at 31 March 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**

Notes and related statements forming part of these accounts appear on pages 10 to 18.

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. 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, standards not yet effective and related party transactions with Tata Steel group. 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 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 31 March 2018.

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

The Company meets its day to day working capital requirements through the reserves held under a group banking facility managed by its intermediate parent company, Tata Steel UK Limited. The directors have reviewed forecasts and projections for the following 12 months and these show that the Company should be able to operate within the current facilities.

After making enquiries, the directors have reasonable expectation that the Company has adequate reserves to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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) 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.

(iii) Equity related instruments

The long term loans from TSUK have been classified as capital contributions in equity in accordance with IAS 32 ('Financial Instruments: Presentation') on the basis that their repayment is contingent on the liquidation or winding up of the Company, which can be ignored for the purposes of classifying the instruments as either debt or equity.

V Other accounting policies

(a) 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.

(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. On 11 September 2017, the UK Pensions Regulator confirmed that it had approved a Regulated Apportionment Arrangement ('RAA') in respect of the BSPS which would separate the scheme from TSUK and a number of affiliated companies. TSUK has agreed to sponsor a new pension scheme ('NBSPS') subject to certain qualifying conditions around size and funding being met. As the NBSPS has lower future annual increases for pensioners and deferred members compared to the BSPS, it has an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to either the NBSPS or remain in the BSPS which will transfer to the Pension Protection Fund. It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme on 28 March 2018.

For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the NBSPS 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.

E5. Notes to the financial statements

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

	2018 £	2017 £
Costs by type:		
Employment costs (note 5)	**1,582,044**	1,449,908
Depreciation	**753,728**	731,825
Other operating charges	**2,078,639**	1,896,916
Profit on disposal of fixed assets	**(118,825)**	-
Movement in valuation of loans and receivables	**73,573**	548,770
Revaluation of equity investments	**(578,622)**	(533,361)
	3,790,537	4,094,058

	2018 £	2017 £
The above costs are stated after charging:		
Depreciation of property, plant and equipment (owned assets)	**753,728**	731,825
Operating lease payments: Hire of motor vehicles	**37,103**	33,230
Auditors' remuneration for audit services	**6,868**	9,811

There were no other fees payable to the auditor in respect of non-audit services for the period (2017: £nil).

3. Operating income

	2018 £	2017 £
Dividends received from equity investments	**592,946**	358,302
Income from loans and receivables	**324,493**	354,964
Monitoring and arrangement fees	**88,950**	50,740
Revenue grant income	**-**	33,706
Amortisation of grant income (note 14)	**51,290**	51,290
	1,057,679	849,002

4. Directors emoluments

	2018 £	2017 £
Aggregate emoluments	**145,799**	136,217

Retirement benefits are accruing to one director under a defined benefit pension scheme (2017: 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 period was:

	2018 Number	2017 Number
Administration	**29**	27

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

	2018 £	2017 £
Wages and salaries	**1,259,620**	1,150,476
Social security costs	**146,610**	136,074
Other pensions costs (note 19)	**175,814**	163,358
	1,582,044	1,449,908

6. Finance income

	2018 £	2017 £
Group interest receivable	**59,058**	60,072

7. Taxation

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

	2018 £	2017 £
Current year tax	**-**	-

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

	2018 £	2017 £
Profit/(loss) before taxation	**368,964**	(190,382)
Profit/(loss) multiplied by the standard corporation tax rate of 19% (2017: 20%)	**70,103**	(38,076)
Changes in unrecognised tax losses	**12,188**	(50,832)
Other permanent differences	**(82,291)**	88,908
	-	-

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 2017	12,259,675	11,958,236	414,210	**24,632,121**
Additions	8,554	5,517	39,587	**53,658**
Disposals	-	-	(201,866)	**(201,866)**
Cost as at 31 March 2018	12,268,229	11,963,753	251,931	**24,483,913**
Depreciation as at 1 April 2017	(7,342,825)	(7,395,191)	(317,800)	**(15,055,816)**
Charge for the period	(371,298)	(322,565)	(59,865)	**(753,728)**
Disposals	-	-	201,866	**201,866**
Depreciation as at 31 March 2018	(7,714,123)	(7,717,756)	(175,799)	**(15,607,678)**
Net book value as at 31 March 2018	**4,554,106**	**4,245,997**	**76,132**	**8,876,235**
Net book value as at 31 March 2017	4,916,850	4,563,045	96,410	9,576,305

9. Investments in subsidiary undertakings

	2018	2017
	£	£
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 dormant and has the same registered address that is disclosed on page 2.

10. Other investments

	Unquoted equity investments	Loans and receivables	2018 Total	2017 Total
	£	£	£	£
Carrying value as at 31 March 2017	3,133,500	4,439,716	**7,573,216**	6,838,329
Additions	650,050	3,197,450	**3,847,500**	2,840,690
Disposal, repayments and recoveries	(193,847)	(2,075,652)	**(2,269,499)**	(1,693,221)
Revaluations	630,097	-	**630,097**	509,411
Amortisation	-	8,910	**8,910**	-
Movements in fair value	-	(169,629)	**(169,629)**	(921,993)
Carrying value as at 31 March 2018	4,219,800	5,400,795	**9,620,595**	7,573,216

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 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%
Architectural Fabrications Ltd	Preferred ordinary	100%
Bolton Surgical Ltd	Preferred ordinary	100%
Camal Enterprises Ltd	Preferred ordinary	100%
Clearwater Controls Ltd	Preferred ordinary	100%
Covol Engineering Ltd	Preferred ordinary	100%
CVO Holding Ltd	Preferred ordinary	100%
Durable Technologies Manufacturing Ltd	Preferred ordinary	100%
Eurosource Ltd	Preferred ordinary	100%
Fame Solutions Ltd	Preferred ordinary	100%
Flixborough Eco Technologies 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%
IDS Holdings Ltd	Preferred ordinary	100%
Industrial Pumps Ltd	Preferred ordinary	100%
Intrasource Ltd	Preferred ordinary	100%
JDP Contracting (Holdings) Ltd	Preferred ordinary (A class)	100%
KHT Investments Ltd	Preferred ordinary	100%
KHT Investments Ltd	Preference	100%
L & R Holdings 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)	67%
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%

11. Trade and other receivables

	2018	2017
	£	£
Amounts due from group companies	**11,830,390**	12,168,317
Prepayments and accrued income	**67,726**	60,320
Other debtors	**30,766**	53,482
	11,928,882	12,282,119

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

	2018	2017
	£	£
Trade payables	**105,005**	58,374
Deposits held	**546,769**	516,450
Other taxation and social security	**15,093**	24,809
Other creditors	**3,016,765**	2,093,617
	3,683,632	2,693,250

13. Deferred tax

2018	Accelerated tax depreciation	Tax losses	Other	Total
	£	£	£	**£**
At 31 March 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**	**-**	**-**

2017	Accelerated tax depreciation	Tax losses	Other	Total
	£	£	£	**£**
At 2 April 2016	(113,065)	329,902	(216,837)	-
Credited/(charged) to income statement	5,977	52,170	(58,147)	-
At 31 March 2017	**(107,088)**	**382,072**	**(274,984)**	**-**

A deferred tax asset is not recognised in respect of tax losses of £4,556,630 (2017: £2,779,614) 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:

	2018	2017
	£	£
At beginning of period	**647,225**	698,515
Released to income statement (note 3)	**(51,290)**	(51,290)
	595,935	647,225

15. Called up share capital

The share capital of the Company is shown below:

Authorised	2018	2017
	£	£
12,000,000 ordinary shares of £1 each	**12,000,000**	12,000,000

Allotted, called up and fully paid	2018	2017
	£	£
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:

	2018	2017
	£	£
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*

	2018	2017
	£	£
Loans and investments in share capital committed but not paid	**50,000**	210,000

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

Within 1 year	**12,953**	33,860
Between 2 to 5 years	**16,018**	8,968
	28,971	42,828

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:

	2018	2017
	£	£
Yorkshire and Humberside Enterprise Fund	**1,118,258**	1,124,461
South Wales Technology and Enterprise Fund	**374,963**	503,662
North of England Venture Capital Fund	**49,445**	218,074
	1,542,666	1,846,197

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 defined benefit British Steel Pension Scheme (BSPS), the assets and liabilities of which are held independently from the Company. On 11 September 2017, the UK Pensions Regulator confirmed that it had approved a Regulated Apportionment Arrangement ('RAA') in respect of the BSPS which would separate the scheme from TSUK and a number of affiliated companies. TSUK has agreed to sponsor a new pension scheme ('NBSPS') subject to certain qualifying conditions around size and funding being met. As the NBSPS has lower future annual increases for pensioners and deferred members compared to the BSPS, it has an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to either the NBSPS or remain in the BSPS which will transfer to the Pension Protection Fund. It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme on 28 March 2018.

For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the NBSPS 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 contribution 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 surplus before administration costs of £32,000 (2017: £203,000) from its investing activities and at the end of the period it had resources, via a facility with its parent company of £12m (2017: £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 2018

	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Interest rate	£'000	£'000	£'000	£'000	£'000	**£'000**
0.0%	-	53	-	-	-	**53**
3.0%	-	2	10	-		**12**
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**

At 31 March 2017

	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Interest rate	£'000	£'000	£'000	£'000	£'000	**£'000**
0.0%	-	-	-	-	-	**-**
3.0%	-	-	3	-	-	**3**
5.0%	30	-	24	308	-	**362**
6.0%	5	13	6	148	-	**172**
6.5%	18	-	-	40	-	**58**
7.0%	27	13	-	345	-	**385**
7.5%	6	-	-	352	-	**358**
8.0%	95	308	655	475	366	**1,899**
8.5%	37	-	85	-	-	**122**
9.0%	17	37	59	254	-	**367**
9.5%	50	-	26	-	49	**125**
10.0%	60	301	120	76	-	**557**
10.5%	-	-	-	-	-	**-**
11.0%	-	32	-	-	-	**32**
	345	**704**	**978**	**1,998**	**415**	**4,440**

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. Non-adjusting post balance sheet event

On 30 June 2018 Tata Steel Ltd and thyssenkrupp AG signed definitive agreements to combine their European steel businesses in a 50/50 joint venture called thyssenkrupp Tata Steel. Transaction completion is subject to regulatory approvals.