UK Steel Enterprise Limited

Report & Accounts 2017

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 P R Martin (resigned 8 June 2016)
Mr C D Jaques (appointed 1 January 2017)

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 31 March 2017.

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 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

Tata Steel Europe Limited ('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 Tata Steel Limited ('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 (including the Company) and the operations of TSE's material subsidiaries, including in the Netherlands and the UK, subject to certain restrictions which in respect of Tata Steel UK ('TSUK'), a wholly owned subsidiary of Tata Steel Europe and a parent of the Company, includes agreement on a Regulated Apportionment Arrangement ('RAA') of the British Steel Pension Scheme ('BSPS'). The trading performance of the TSE Group, including the UK and the Company, in FY 2016/17 has continued to require financial support from TSL. It is thought that this may well continue but at a much-reduced level during FY 2017/18, when the outlook is much improved.

Further very material evidence of continued TSL support is seen in the commitment of TSL affiliates to provide the required financing of c.£550m which will need to be paid by TSUK to achieve a Regulated Apportionment Arrangement ('RAA') of the British Steel Pension Scheme ('BSPS') obligations of TSUK and the other BSPS employer entities. The completion of the RAA with relation to the BSPS, which was the subject of the TSL announcement on 16 May 2017, constitutes a material event for TSUK, and in its absence it is expected that there would be a very large BSPS funding deficit which could 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. Until the conclusion of the process, there continues to be a material uncertainty as to whether the BSPS restructuring will be completed.

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 until the RAA process is concluded there exists a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. 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 if the Company was not a going concern as it is not practicable to identify or quantify them.

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 2017 of £2,994,602 (2016: £2,870,738) and a pre-tax loss of £190,382 (2016: pre-tax profit of £364,714).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2017 (2016: £nil).

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

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

a) so far as the director is aware, there is no relevant audit information of which the Company's auditor 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

Deloitte LLP acted as auditor of the Company for the year ended 31 March 2017. It is the intention of the Directors to appoint PricewaterhouseCoopers LLP for the year ending 31 March 2018.

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

21 July 2017

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 31 March 2017 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 22. 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 31 March 2017 and of its loss 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made on page 3 in the Directors Report and within the presentation of the accounts and accounting policies concerning the company's ability to continue as a going concern. The completion of the Regulated Apportionment Arrangement ('RAA') in relation to the BSPS constitutes a material event for the Company, and in its absence it is expected that there would be a very large BSPS funding deficit which could cast significant doubt about the Company's ability to continue as a going concern. These conditions, along with the other matters explained on page 3 in the Directors Report and within the presentation of the accounts and accounting policies indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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.

Matthew Hughes

Matthew Hughes BSc (Hons) (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
24 July 2017

E1. Income statement

For the financial year ended 31 March (2016: 2 April)

	Note	**2017** £	2016 £
Revenue	1	2,994,602	2,870,738
Operating costs	2	(4,094,058)	(3,469,988)
Operating income	3	849,002	902,240
Operating (loss)/profit		**(250,454)**	**302,990**
Finance income	6	60,072	61,724
(loss)/profit before taxation		**(190,382)**	**364,714**
Taxation	7	-	-
(Loss)/profit after taxation		**(190,382)**	**364,714**

All references to 2017 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 22 refer to the financial year ended 31 March 2017 or as at 31 March 2017 as appropriate (2016: the financial year ended 2 April 2016 or as at 2 April 2016)

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 (2016: 2 April)

	Note	2017 £	2016 £
Non-current assets			
Property, plant and equipment	8	**9,576,305**	9,947,353
Investments in subsidiaries	9	**35,000**	35,000
Other investments	10	**7,573,216**	6,838,329
		17,184,521	**16,820,682**
Current assets			
Trade and other receivables	11	**12,282,119**	12,719,890
Cash and short term deposits		**991,003**	1,024,800
		13,273,122	**13,744,690**
TOTAL ASSETS		**30,457,643**	**30,565,372**
Current liabilities			
Trade and other payables	12	**(2,693,250)**	(2,559,307)
		(2,693,250)	**(2,559,307)**
Non-current liabilities			
Deferred income	14	**(647,225)**	(698,515)
		(647,225)	**(698,515)**
TOTAL LIABILITIES		**(3,340,475)**	**(3,257,822)**
NET ASSETS		**27,117,168**	**27,307,550**
Equity			
Called up share capital	15	**10,000,100**	10,000,100
Capital contribution		**11,150,000**	11,150,000
Retained earnings		**5,967,068**	6,157,450
TOTAL EQUITY		**27,117,168**	**27,307,550**

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

S T Hamilton

21 July 2017

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

	Share capital	Capital contribution (note 16)	Retained earnings	Total equity
	£	£	£	£
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	364,714	**864,714**
Balance as at 2 April 2016	10,000,100	11,150,000	6,157,450	**27,307,550**
Loss for the year	-	-	(190,382)	**(190,382)**
Total comprehensive loss 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**

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 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 group accounts of TSE are available to the public and can be obtained as set out in Note 22.

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 2017.

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

Tata Steel Europe Limited ('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 Tata Steel Limited ('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 (including the Company) and the operations of TSE's material subsidiaries, including in the Netherlands and the UK, subject to certain restrictions which in respect of Tata Steel UK ('TSUK'), a wholly owned subsidiary of Tata Steel Europe and a parent of the Company, includes agreement on a Regulated Apportionment Arrangement ('RAA') of the British Steel Pension Scheme ('BSPS'). The trading performance of the TSE Group, including the UK and the Company, in FY 2016/17 has continued to require financial support from TSL. It is thought that this may well continue but at a much-reduced level during FY 2017/18, when the outlook is much improved.

Further very material evidence of continued TSL support is seen in the commitment of TSL affiliates to provide the required financing of c.£550m which will need to be paid by TSUK to achieve a Regulated Apportionment Arrangement ('RAA') of the British Steel Pension Scheme ('BSPS') obligations of TSUK and the other BSPS employer entities. The completion of the RAA with relation to the BSPS, which was the subject of the TSL announcement on 16 May 2017, constitutes a material event for TSUK, and in its absence it is expected that there would be a very large BSPS funding deficit which could 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. Until the conclusion of the process, there continues to be a material uncertainty as to whether the BSPS restructuring will be completed.

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 until the RAA process is concluded there exists a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. 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 if the Company was not a going concern 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) 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.

(ii) 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

During the year the Company participated in the British Steel Pension Scheme ('BSPS'). This was 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 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.

For the financial year ended 31 March (2016: 2 April):

1. Revenue

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

2. Operating costs

	2017 £	2016 £
Costs by type:		
Employment costs (note 5)	**1,449,908**	1,335,763
Depreciation	**731,825**	683,429
Other operating charges	**1,896,916**	1,905,287
Movement in valuation of loans and receivables	**548,770**	233,227
Revaluations of equity investments	**(533,361)**	(687,718)
	4,094,058	3,469,988

	2017 £	2016 £
The above costs are stated after charging:		
Depreciation of property, plant and equipment (owned assets)	**731,825**	683,429
Operating lease payments: Hire of motor vehicles	**33,230**	49,339
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 (2016: £nil).

3. Operating income

	2017 £	2016 £
Dividends received from equity investments	**358,302**	333,316
Income from loans and receivables	**354,964**	368,883
Monitoring and arrangement fees	**50,740**	56,150
Revenue grant income	**33,706**	92,601
Amortisation of grant income (note 14)	**51,290**	51,290
	849,002	902,240

4. Directors emoluments

	2017 £	2016 £
Aggregate emoluments	**136,217**	132,584

Retirement benefits are accruing to one director under a defined benefit pension scheme (2016: 1).

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

5. Employees

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

	2017 Number	2016 Number
Administration	**27**	27

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

	2017 £	2016 £
Wages and salaries	**1,150,476**	1,048,567
Social security costs	**136,074**	102,696
Other pension costs (note 19)	**163,358**	184,500
	1,449,908	1,335,763

6. Finance income

	2017 £	2016 £
Group interest receivable	**60,072**	61,724

7. Taxation

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

	2017 £	2016 £
Current year tax	**-**	-

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

	2017 £	2016 £
(Loss)/profit before taxation	**(190,382)**	364,714
(Loss)/profit multiplied by the standard corporation tax rate of 20% (2016: 20%)	**(38,076)**	72,943
Changes in unrecognised tax losses	**(50,832)**	(153,046)
Other permanent differences	**88,908**	80,103
	-	-

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.

8. Property, plant and equipment

	Long leasehold buildings £	Freehold land and buildings £	Equipment £	Total £
Cost as at 2 April 2016	12,259,675	11,610,267	401,402	**24,271,344**
Additions	-	347,969	12,808	**360,777**
Cost as at 31 March 2017	12,259,675	11,958,236	414,210	**24,632,121**
Depreciation as at 2 April 2016	(6,971,527)	(7,080,753)	(271,711)	**(14,323,991)**
Charge for the period	(371,298)	(314,438)	(46,089)	**(731,825)**
Depreciation as at 31 March 2017	(7,342,825)	(7,395,191)	(317,800)	**(15,055,816)**
Net book value as at 31 March 2017	**4,916,850**	**4,563,045**	**96,410**	**9,576,305**
Net book value as at 2 April 2016	5,288,148	4,529,514	129,691	9,947,353

9. Investments in subsidiary undertakings

	2017 £	2016 £
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 £**	**2017 Total £**	2016 Total £
Carrying value as at 2 April 2016	2,306,189	4,532,140	**6,838,329**	5,845,672
Additions	317,900	2,522,790	**2,840,690**	3,257,689
Disposals, repayments and recoveries	-	(1,693,221)	**(1,693,221)**	(2,582,512)
Revaluations	509,411	-	**509,411**	660,220
Movements in fair value	-	(921,993)	**(921,993)**	(342,740)
Carrying value as at 31 March 2017	3,133,500	4,439,716	**7,573,216**	6,838,329

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**
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%
CVO Holding Ltd	Preferred ordinary	100%
Durable Technologies Manufacturing 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%
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%

Company name	Class of share held	Proportion of nominal value of class held
Martin Aerospace Ltd	Preferred ordinary	100%
McCalls Special Products Ltd	Preferred ordinary	100%
Micropore Technologies Ltd	Preferred ordinary	100%
Natural Technology Developments	Preferred ordinary	26%
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

	2017 £	2016 £
Amounts due from group companies	**12,168,317**	12,596,627
Prepayments and accrued income	**60,320**	47,386
Other debtors	**53,482**	75,877
	12,282,119	12,719,890

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

	2017 £	2016 £
Trade payables	**58,374**	93,872
Deposits held	**516,450**	511,079
Other taxation and social security	**24,809**	-
Other creditors	**2,093,617**	1,954,356
	2,693,250	**2,559,307**

13. Deferred tax

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)**	**-**

2016	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 £2,779,614 (2016: £3,033,775) 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 2017 £	Total 2016 £
At beginning of period	**698,515**	749,805
Released to the income statement (note 3)	**(51,290)**	(51,290)
At end of period	**647,225**	698,515

15. Called up share capital

The share capital of the Company is shown below:

Authorised	2017 £	2016 £
12,000,000 ordinary shares of £1 each	**12,000,000**	12,000,000

Allotted, called up and fully paid	2017 £	2016 £
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:

	2017 £	2016 £
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

	2017 £	2016 £
Loans and investments in share capital committed but not paid	**310,000**	210,000
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	**33,860**	42,597
Between 2 to 5 years	**8,968**	42,828
	42,828	85,425

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:

	2017	2016
	£	£
Yorkshire and Humberside Enterprise Fund	**1,124,461**	1,133,500
South Wales Technology and Enterprise Fund	**503,662**	572,610
North of England Venture Capital Fund	**218,074**	129,524
	1,846,197	1,835,634

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
During the year, the Company participated in the BSPS which is a defined benefit multi-employer fund. 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 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. On 31 March 2017 TSUK closed the defined benefit BSPS to future accrual and replaced it with a contract based defined contribution group personal pension arrangement. 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 £203,000 (2016: £648,000) from its investing activities and at the end of the period it had resources, via a facility with its parent company of £12m (2016: £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 2017

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%	-	-	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**
11.0%	-	32	-	-	-	**32**
	345	**704**	**978**	**1,998**	**415**	**4,440**

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**

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.

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