

**British Steel Limited**  
**(formerly Longs Steel UK**  
**Limited)**  
**Report & Financial Statements 2016**

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## A. Directors and advisors

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### Directors

R Junck (appointed 1 September 2016)  
R Perlhagen (appointed 31 May 2016)  
P Hogg (appointed 5 August 2015)  
S Mason (appointed 5 August 2015)  
P Martin (appointed 5 August 2015)  
N Meyohas (appointed 31 May 2016)  
D Goldstein (appointed 31 May 2016)  
M Meyohas (appointed 31 May 2016)  
S Luczynski (appointed 13 February 2015, resigned 23 July 2015)  
A Page (appointed 13 February 2015, resigned 23 July 2015)  
B Jha (appointed 23 July 2015, resigned 31 May 2016)  
T Farquhar (appointed 23 July 2015, resigned 31 May 2016)

### Secretary and registered office

D Hargreaves (appointed 18 April 2016)  
S Gidwani (appointed 13 February 2015, resigned 31 May 2016)

Brigg Road  
Scunthorpe  
North Lincolnshire  
DN16 1BP

### Company Number

9438207

### Auditor

Deloitte LLP  
Leeds

## B. Strategic report

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### Introduction

The Directors have pleasure in presenting the first strategic report of British Steel Limited (formerly Longs Steel UK Limited) ('BSL' or the 'Company') for the 58 week period ended 31 March 2016.

The Company was incorporated on 13 February 2015 and commenced trading following the acquisition of the business and assets of the Long Products business of Tata Steel UK Limited ('TSUK') on 2 August 2015. From that point it operated as a fully owned subsidiary of TSUK and the reported financial performance relates to the period under TSUK ownership.

The Company has chosen to present the financial statements in accordance with FRS 101 '*Reduced Disclosure Framework*', 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

On 31 May 2016 BSL was sold to Olympus Steel, up until this point it was a wholly owned subsidiary of TSUK.

The principal activities are the manufacture and sale of steel throughout the world. The Company produces carbon steel by the basic oxygen steelmaking method at an integrated steelworks in the UK based in Scunthorpe. Long steel products are manufactured in rolling mills at Scunthorpe, Teesside and Skinningrove, including rail, sections, profiles and wire rod.

Up until 31 May 2016 BSL was a wholly owned subsidiary within the Tata Steel Europe Limited ('TSE') Group and its activities were managed as an integral part of the parent's operations.

On the 31 May 2016 Longs Steel UK Ltd was purchased by Greybull Capital via Olympus Steel and renamed British Steel Ltd. The transaction was such that any prior financing via TSUK was written off and the purchase was debt free of any financing obligations to Tata Steel, including that the business has not been a contributor to the 'old' British Steel defined benefits pension and as such has no exposure to any liabilities that may related to that scheme. The business has secured financing both from Olympus Steel and via asset based lending facilities generating more than sufficient headroom for the business to continue to grow.

From the 2 August 2015 the majority of required activities were transferred into the business to allow it to transact predominately as a stand-alone entity, with some central support from TSUK. Post 31 May 2016 sufficient transitional service agreements were put in place to allow the business time to cover any short term functional gaps.

### Going concern

After reviewing the financing put in place at the point of purchase and the continuing improvement of the business performance 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.

### Business review

The Company's revenue was £672m during the period, reflecting an average revenue per tonne of £354/t. Liquid steel production was 1.9mt during the period.

The operating loss during the period was £120m. Included within the loss is a significant charge of £55m for restructuring and impairment costs. This included an impairment charge of £18m for property, plant and equipment (see Note 7) and net redundancy and rationalisation costs of £37m relating mainly to redundancy costs associated with the restructuring of its plates business and the closure of the Dawes Lane coke ovens.

The Company's net interest cost in the period was £2m. Taxation was a charge of £nil in 2015/16 due primarily to the effect of tax losses not recognised. The loss after taxation in the period was £122m.

## B. Strategic report

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The balance sheet on page 11 of the financial statements shows the Company's financial position at the end of the financial period. Net liabilities of £122m include £74m of loan notes owed to TSUK created on the hive down of the Long Products business and other borrowings of £3m owed to TSUK.

As noted above, the Company's activities were managed in the period as an integral part of its parent's operations (TSE). However a number of activities were undertaken during this period. Tata Steel had expressed their intent to divest our part of their business – Long Products Europe – back in 2014 and subsequent to this a number of potential buyers expressed an interest. At that point in time negotiations and a letter of intent were signed with Klesch Group but this deal failed to materialise in early 2015.

Having reviewed a number of options Tata Steel decided to make the Long Products Europe into a stand-alone business within Tata Steel and this was implemented on 2 August 2015.

A dedicated management team, including an Executive Chairman from Tata Steel in Europe's Executive Committee, was put in place and tasked with devising a transformation plan to put the business into a more saleable position by enabling visibility of a sustainable future. To this end the Long Products Europe business started a transformation programme in August 2015 under the guidance of consultants McKinsey who supported the process for a period of three months. The immediate priorities of the business were to achieve cash neutrality, to increase the profitability of the business (by improving revenue and reducing costs) and to identify the correct asset footprint.

A broad range of strategic options were considered as part of the initial transformation plan. This work was managed and reviewed in workstreams led by senior colleagues. The workstreams were tasked with creating, developing and implementing strategies, primarily aimed at reducing costs, for a number of areas including; 'Cost of liquid steel', 'Functional costs', 'External spend', 'Stakeholder management', 'Employment' and 'Maintenance'. In November 2015 McKinsey concluded the strategic direction and plans were robust and well-founded.

During the autumn of 2015, the pace of change accelerated across the business and the business focused on the products that could give the business the best margins in the prevailing market conditions. This led to the announcement, on 20 October 2015, of the intention to exit the plates market with the mothballing and ultimately sale of the facilities in Dalzell and Clydebridge in Scotland.

To reflect the new business plan and output levels, the mothballing of Dawes Lane Coke Ovens was announced and this work was completed in Spring 2016. In addition a number of other areas were restructured to reflect the needs of the new business. The culmination of these changes resulted in the reduction of 1,200 positions across the business.

The restructuring process was managed effectively through a robust consultation process with employees and their union representatives which resulted in the vast majority of reductions being achieved on a voluntary basis. Through this period all impacted employees were given support and guidance and regular joint management and union communications were conducted to keep colleagues informed of progress.

The early results from the transformation plan and the strategy to drive further cost reductions led to a letter of intent to buy Long Products Europe being signed between Greybull Capital and Tata Steel on 22 December 2015.

Business performance and the delivery of the transformation plan remained under close scrutiny, whilst discussion proceeded with Greybull Capital. The business was acquired by Olympus Steel and relaunched as British Steel Ltd on 1 June 2016.

Throughout the financial year management and unions worked closely together and engaged employees effectively in committing and supporting the transition from loss making to profitability.

This support included agreeing to a temporary salary sacrifice via a reduction in pension contributions that played a critical role in securing the sale to Greybull Capital's Olympus Steel.

## B. Strategic report

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Our employees have made a significant contribution in helping the business turn round from loss making to profit making.

The 2015-16 financial year was a year of restructuring and focused cost reduction led initiatives that started to realise benefit to the business in significant values from Quarter 4 2015/16 onwards. The pace of improvement continues into 2016/17, with the purchase of the business by Olympus Steel and the renaming of the business to British Steel providing fresh impetus for the future. Looking forward British Steel has structured itself to address its main markets; Primary Products, Wire rod, Rail, Special Profiles and Construction. This enables the business to continue to focus deeply on meeting the needs of its customers, who continued to support the business through the period of uncertainty.

### Principal risks and uncertainties

The principal risks and uncertainties affecting the Company include health, safety and environmental matters, the general economic conditions in the UK and Europe, the impact of China and other exporters, long term competitiveness and exchange rates. The implications of the Brexit vote on British Steel over the longer term are as yet uncertain. The situation is continually under review and the company will focus on optimising for British Steel. In the short term British Steel has seen no noticeable impact from the Brexit vote.

Details of the Company's credit, liquidity, price and market risk are not disclosed because the financial statements of TSE disclose such details on a consolidated basis.

### Employees

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

In the period all employees of the Company had a contract of service with TSUK. As part of this agreement TSUK receives from BSL a monthly non-refundable service and administration fee, and a reimbursement of employment costs.

Within British Steel there are well established and effective arrangements at each business location for communication and consultation with trade union representatives to systematically provide employees with information on matters of concern to them. Well-developed policies and procedures operate in all parts of the Company for the purpose of consulting and negotiating with trade unions and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and employs them where suitable work can be found. The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed. All reasonable measures are taken to ensure that disabled employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who become disabled while working for the Company.

### Research and development

The Company invests in research and development in order to bring about changes in product and process developments.

### Slavery and human trafficking statement

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or supply chains. A supplier visit will be carried out for any new, material supplier. Periodic reviews are then carried out by asking suppliers to resubmit a questionnaire response and evidence. The Board of British Steel has approved a statement setting out the measures taken by the group during the financial period ending 31 March 2016

## B. Strategic report

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### Future developments and subsequent events

The World Steel Association predicts global demand for steel is likely to exhibit a marginal decline by 0.8% in the 2016 calendar year with an estimated 4.0% contraction in China offsetting resilient growth in developing markets, in particular in South Asia, Southeast Asia, and NAFTA. No steel demand growth is forecast in the EU due to low activity growth in steel sectors.

On 11 April 2016 TSE announced the signing of a sales and purchase agreement to sell its Long Products business to Greybull Capital's Olympus Steel. The sale for a nominal consideration, was in exchange for Greybull taking on the whole of the business, including assets and relevant liabilities, and securing an appropriate funding package.

On 31 May 2016 TSE completed the sale of the Company to Greybull Capital. BSL will now operate under the British Steel brand and will operate as an independent steel company. On completion of the sale all inter-company loans due to TSUK were waived by the parent company. This will result in an approximate credit to the income statement of £192m in the 2016/17 accounts.

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



S Mason Director

Registered Office:

Brigg Road

Scunthorpe

North Lincolnshire

DN16 1BP

10 November 2016

## C. Directors' report

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### The Board

The directors of the Company up to the date of this report are listed on page 2. The Company was incorporated on 13 February 2015 as Longs Steel UK Limited with the issue of one share of £1 to Tata Steel UK Limited. On 31 May 2016 the Company's name was changed to British Steel Limited.

### Directors' indemnity

The Company's articles of association provide, subject to the provisions of UK legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

### Dividends

No dividend was paid during the current period and the Directors do not recommend the payment of a final dividend.

### 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 was appointed as the Company's auditor during the financial period.

### Information disclosed in the strategic report

The following information has been disclosed in the strategic report:

- Particulars of any events affecting the Company which have occurred since the end of the financial year (see page 6)
- Factors likely to affect the Group's future development, performance and position (see page 6)
- Policies on employment of disabled persons, recruitment, training, employee involvement, communication and consultation (see page 5)
- Research & development activities (see page 5); and
- Slavery and human trafficking statement (see page 5).

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



S Mason  
Director  
Registered Office:  
Brigg Road  
Scunthorpe  
North Lincolnshire  
DN16 1BP  
10 November 2016



## D. Directors' responsibilities statement on the company's financial statements

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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;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

## E. Independent auditor's report to the members of British Steel Limited

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We have audited the financial statements of British Steel Limited for the 58 week period ended 31 March 2016 which comprise the income statement, the balance sheet, the statement of changes in equity, the presentation of accounts and accounting policies and the related notes. 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom generally accepted accounting principles) including 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 2016 and of its loss for the 58 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period 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.



Matthew Hughes BSc (Hons), ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom  
11 November 2016

## F1. Income statement

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### For the financial period ended 31 March

	Note	2016 £m
Revenue	1	672
Operating costs	2	(792)
<b>Operating loss</b>		<b>(120)</b>
Finance costs	5	(2)
<b>Loss before taxation</b>		<b>(122)</b>
Taxation	6	-
<b>Loss after taxation</b>		<b>(122)</b>

All references to 2016 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 20 refer to the financial period ended 31 March 2016 or as at 31 March 2016 as appropriate. The financial period consists of a 58 week period from the date of incorporation on 13 February 2015.

There are no items of other comprehensive income or expense or other changes to equity since incorporation other than the loss reported above and consequently a separate statement of other comprehensive income and a separate statement of changes in equity have not been presented.

Notes and related statements forming part of these accounts appear on pages 13 to 25

## F2. Balance sheet

As at 31 March		2016
	Note	£m
<b>Non-current assets</b>		
Property, plant and equipment	7	-
<b>Current assets</b>		
Inventories	9	130
Trade and other receivables	10	199
Cash and short term deposits	11	1
		<b>330</b>
<b>TOTAL ASSETS</b>		<b>330</b>
<b>Current liabilities</b>		
Trade and other payables	12	(205)
Inter-group borrowings	13	(73)
External borrowings	13	(2)
Provisions and other liabilities	15	(71)
		<b>(351)</b>
<b>Non-current liabilities</b>		
Inter-group borrowings	13	(74)
External borrowings	13	(22)
Provisions and other liabilities	16	(5)
		<b>(101)</b>
<b>TOTAL LIABILITIES</b>		<b>(452)</b>
<b>NET LIABILITIES</b>		<b>(122)</b>
<b>Equity</b>		
Called up share capital	17	-
Accumulated deficit		(122)
<b>TOTAL DEFICIT</b>		<b>(122)</b>

The financial statements on pages 10 to 25 were approved by the board of directors and signed on its behalf by:



S Mason  
 10 November 2016  
 British Steel Limited  
 Registered No: 9438207

Notes and related statements forming part of these accounts appear on pages 13 to 25

### F3. Statement of changes in equity

For the financial period ended 31 March

	Called up share capital £m	Accumulated deficit £m	Total equity £m
Balance on incorporation	-	-	-
Loss for the period	-	(122)	(122)
<b>Total comprehensive expense</b>	-	(122)	(122)
<b>At 31 March 2016</b>	-	(122)	(122)

Notes and related statements forming part of these accounts appear on pages 13 to 25

## F4. Presentation of financial statements and accounting policies

### I Basis of preparation

British Steel Limited (BSL) 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. These financial statements have been prepared in accordance with FRS 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 a cash flow statement, standards not yet effective, and related party transactions with Tata Steel group companies. Where relevant, further disclosure exemptions have been taken including the requirement to provide disclosures on financial instruments and impairment of assets on the basis that equivalent disclosures have been given in the group accounts of TSE. The group accounts of TSE are available to the public and can be obtained as set out in Note 20.

The Company has chosen to early adopt the amendments to FRS 100 and 101 (published in September 2015), updated to ensure consistency with changes made to company law resulting from the EU Accounting Directive. Two of the key aspects of the amendments include; greater flexibility in relation to the format of the income statement and balance sheet, allowing the use of a presentation close to IFRS-based financial statements and removal of the requirement to present a third balance sheet on adoption of IFRS 1. Changes to UK company law, S12015/980 have also been adopted this period.

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 period.

As set out in the Strategic 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 financial statements 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.

Critical accounting judgements and the key sources of estimation uncertainty in applying the Company's accounting policies arise in relation to provisions created for rationalisation and related costs, environmental remediation and legal claims. Each of these areas relies upon a number

of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation and legal claims are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of those costs. Further details on the Company's redundancy and rationalisation provisions can be found in notes 3 and 16.

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

### III Critical accounting policies

#### (a) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and relevant those provisions are discounted to take into consideration the time value of money.

In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been made at the end of the reporting period. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

Provisions are also created for long term employee benefits that depend on the length of service, such as long service and sabbatical awards. The amount recognised as a liability is the present value of benefit obligations at the end of the reporting period, and all movements in the provision (including actuarial gains and losses or past service costs) are recognised immediately within profit and loss.

BSL participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased at cost, and recognises a provision in relation to carbon dioxide quotas if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in a given period. Any surplus is only recognised once it is realised in the form of an external sale.

#### (b) Impairment of property, plant and equipment

At each reporting period end, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present

## F4. Presentation of financial statements and accounting policies

value using a pre-tax discount rate, based upon the Company's long term weighted average cost of capital ('WACC'), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

### IV Other accounting policies

#### (a) Property, plant and equipment

Property, plant and equipment are recorded at original cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for assets constructed by the Company, any related works and incremental overhead amounts, to the extent that these are directly attributable to the acquisition or construction of the asset. Amounts incurred in connection with capital projects that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended (which the Company refers to as 'commissioning costs' and which include expenses such as initial operating losses incurred while technical deficiencies on new plant are rectified and incremental operating costs that are incurred while the new plant is operating at less than full capacity) are written off to profit and loss as incurred. Assets in the course of construction are depreciated from the date on which they are ready for their intended use.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit and loss.

Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and also spares, against which impairment provisions are made where necessary to cover slow moving and obsolete items.

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other repairs and renewals are charged to profit and loss as incurred.

#### (b) Depreciation and impairment of property, plant and equipment

Depreciation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment, including those held under finance leases, to their residual value. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives or, in the case of leased assets, over the lease period if shorter. The estimated useful

lives of assets and residual values are reviewed regularly and, when necessary, revised. Accelerated depreciation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

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

		Life Years
Plant and machinery:		
Iron and steelmaking	(maximum)	25
IT hardware and software	(maximum)	8
Office equipment and furniture		10
Motor vehicles		4
Other	(maximum)	15

Assets in course of construction are not depreciated until the assets are available for their intended use

At each reporting period end, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, based upon the Company's long term weighted average cost of capital ('WACC'), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

#### (c) Retirement benefit costs

BSL is not a participating employer of the British Steel Pension Scheme ('BSPS') but makes employment contributions for BSL employees who are members of this scheme, which are charged as an expense as the fall due.

#### (d) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

## F4. Presentation of financial statements and accounting policies

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business net of discounts, VAT and other sales related taxes.

### **(e) Insurance**

Insurance premiums in respect of insurance placed with third parties are charged to profit and loss in the period to which they relate.

### **(f) Interest**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment, is expensed as incurred.

### **(g) Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### **(h) Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the end of each reporting period. Income statement and cash flows are translated into sterling at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Company enters into forward contracts (see (i) below for details of the Company's accounting policies in respect of such derivative financial instruments). In preparing the financial statements, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

### **(i) Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The detailed accounting treatment for such items can differ, as described in the following sections:

#### **(i) Trade receivables**

Trade receivables 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. Subsequent recoveries of amounts previously provided for are credited to the income statement. Where trade receivables are sold prior to settlement by customers, they are derecognised with the respective default deductions and discount costs simultaneously charged to profit and loss.

#### **(ii) Financial liabilities**

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

#### **(iii) Trade payables**

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

#### **(iv) Equity instruments**

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

#### **(v) Derivative financial instruments and hedge accounting**

In the ordinary course of business the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange. The instruments are confined principally to forward foreign exchange contracts. The instruments are employed as economic hedges of transactions included in the accounts or forecast for firm contractual commitments. Contracts do not generally extend beyond 6 months.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value. For forward currency contracts the fair values are determined based on market forward rates at the end of the reporting period. The Company seeks to adopt hedge accounting for these currency contracts. This means that at the inception of each hedge there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The methodology of testing the effectiveness and the reliability of this approach for testing is also considered and documented at inception. This effectiveness is assessed on an ongoing basis throughout the life cycle of the hedging relationship. In particular, only forecast transactions that are highly probable are subject to cash flow hedges.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit and loss in the same period in which the hedged item affects profit and loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss



## F4. Presentation of financial statements and accounting policies

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recognised in equity is reclassified to net profit or loss for the period.

### (j) Leases

The Company determines whether an arrangement contains a lease by assessing whether the fulfilment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to the Company in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for as such.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

### (k) Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is determined using the 'first in, first out' method. Inventories of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

### (l) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years ("temporary differences") and it further excludes items that are never taxable or deductible ("permanent differences").

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 to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, deferred tax is recognised in the income statement.

## F5. Notes to the financial statements

For the financial period ended 31 March

### 1. Revenue

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

	2016 £m
UK	324
Europe	296
Rest of world	52
	<b>672</b>

### 2. Operating costs

	2016 £m
<b>Costs by type:</b>	
Raw materials and consumables	302
Maintenance costs (excluding own labour)	71
Other external charges (including fuels & utilities, hire charges and carriage costs)	150
Employment costs (Note 4)	172
Impairment losses related to property, plant and equipment (Note 7)	18
Other operating items (including rents, rates, insurance and general expenses)	61
Changes in inventory of finished goods and work in progress	18
	<b>792</b>

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Total £m
<b>Costs by type:</b>			
Raw materials and consumables	302	-	302
Maintenance costs (excluding own labour)	71	-	71
Other external charges (including fuels & utilities, hire charges and carriage costs)	150	-	150
Employment costs (Note 4)	144	28	172
Impairment losses related to property, plant and equipment (Note 7)	-	18	18
Other operating items (including rents, rates, insurance and general expenses)	52	9	61
Changes in inventory of finished goods and work in progress	18	-	18
	<b>737</b>	<b>55</b>	<b>792</b>

Further analysis of restructuring and impairment costs is presented in Note 3.

	2016 £m
<b>The above costs are stated after including:</b>	
Impairment losses related to property, plant and equipment (Note 7)	18
Net exchange rate losses	2
Operating lease rentals:	
Plant and machinery	3
Leasehold property	1
Provision for bad and doubtful debts	4
Costs of research and development	1

## F5. Notes to the financial statements

### 2. Operating costs (continued)

The analysis of auditor's remuneration is as follows:

	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	81

The fees above reflect Deloitte LLP's provision of services during the period ended 31 March 2016. Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not disclosed because the financial statements of TSE disclose such fees on a consolidated basis.

### 3. Net restructuring and impairment costs

	2016 £m
Provision for restructuring and related measures:	
Redundancy and related costs (Note 16)	28
Impairment losses related to property, plant and equipment (Note 7)	18
Other rationalisation costs (Note 16)	9
Total restructuring and impairment costs	55

The provision for the redundancy and related costs of £28m in 2016 primarily related to the restructuring of the Company's plates business and the closure of the Dawes Lane coke ovens.

### 4. Employees

	2016 £m
The total employment costs of all employees in the Company were:	
Wages and salaries	113
Social security costs	9
Other pension costs	22
Net redundancy and related costs (included within restructuring costs) (Note 3)	28
	172

(i) Up until 2 August 2015 there were no employees. For the period 2 August 2015 to 31 March 2016 the average number of employees was 4,670.

All employees had a contract service with TSUK. As part of this agreement TSUK receives from BSL a monthly non-refundable service and administration fee and a reimbursement of employment costs and pension costs. This came to an end at the point of sale when all employees were transferred into British Steel.

(ii) The total employment costs of the directors in the Company, who are the key management personnel, were £0.4m. The total emoluments of the highest paid director were £0.2m.

The emoluments of Mr B Jha, Mr TJ Farquhar, Mr S Luczynski and Mr A Page are paid by other companies within the TSE Group which make no recharge to BSL. These directors are also executives of TSE. However, it is not practicable to allocate their emoluments between their services as executives of TSE and their services as directors of BSL.

Retirement benefits are accruing under defined benefit schemes to six individuals (including the highest paid director) who were directors during the period.

(iii) BSL is not a participating employer of the British Steel Pension Scheme ('BSPS') but makes employment contributions for BSL employees who are members of the scheme. This contribution is based on a joint future service contribution rate of 16.8%.

## F5. Notes to the financial statements

### 5. Finance costs

	2016 £m
Interest expense:	
Finance leases	(1)
Interest on loans from parent undertakings	(1)
	(2)

### 6. Taxation

	2016 £m
Current period tax charge	-
Current tax	-
Deferred tax	-
	-

The total income statement result for the period can be reconciled to the accounting loss as follows:

	2016 £m
Loss before taxation	120
Loss multiplied by the standard UK corporation tax rate of 20%	24
Effects of:	
Tax losses not recognised	(24)
	-

The standard rate of UK corporation tax changed from 23% to 21% with effect from 1 April 2014, and to 20% from 1 April 2015.

Further changes to the UK corporation tax rates were announced in the budget on 8 July 2015. These include reductions in the standard rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were enacted on 18 November 2015 but as these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

### 7. Property, plant and equipment

2016	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost as at the beginning of the period	-	-	-	-
Additions	-	5	13	18
Transfers	12	-	(12)	-
Cost as at 31 March 2016	12	5	1	18
Depreciation as at the beginning of the period	-	-	-	-
Impairment losses recognised during the period (Note 3)	-	5	13	18
Transfers	12	-	(12)	-
Depreciation as at 31 March 2016	12	5	1	18
Net book value as at 31 March 2016	-	-	-	-
Spares (net book value)	-	-	-	-
<b>Net book value as at 31 March 2016</b>	-	-	-	-

## F5. Notes to the financial statements

### 7. Property, plant and equipment (continued)

As at 31 March	2016 £m
The net book value of spares comprises:	
Assets held under finance leases:	
Cost	2
Accumulated depreciation	(2)
	-

The Company recognised an impairment charge of £18m in the current period against property, plant and equipment (see Note 3), with none of this impairment charge being allocated against spares.

On 2 August 2015 the Company purchased the property, plant and equipment relating to the Long Products business of TSUK. Whilst part of TSUK the property, plant and equipment was tested at 31 March 2015 for impairment at that date where indicators of impairment existed. The outcome of this test indicated that the value in use of certain of the property, plant and equipment, using a discount rate of 8.0%, was lower than its carrying value due to weaker market conditions in mainly the UK construction market, which were expected to remain weak over the near and medium term. The conditions by which the impairment test was carried out in March 2015 remain unchanged, therefore any additions in the period since 2 August 2015 have been fully impaired.

Spares are shown at net book value. Due to the substantial number of items involved, and the many variations in their estimated useful lives, it is impracticable to give the details of movements normally disclosed in respect of property, plant and equipment.

### 8. Acquisition

On 2 August 2015, the Company acquired the trade and assets of the Long Products business of TSUK, for a consideration of £74m. The following table sets out the book values of the identifiable assets and liabilities acquired.

	2016 £m
<b>Current assets:</b>	
Inventories	186
Trade and other receivables	181
<b>Total assets</b>	<b>367</b>
<b>Current liabilities:</b>	
External borrowings	2
Trade and other payables	237
	239
<b>Non-current liabilities:</b>	
External borrowings	24
Provisions and other liabilities (Note 16)	30
	54
<b>Total liabilities</b>	<b>293</b>
<b>Net assets acquired</b>	<b>74</b>
<b>Satisfied by:</b>	
Loan notes issued (Note 13)	74
	74

As the transaction was between entities under common control, the accounting for the transaction was outside of the scope of IFRS 3 and, as such, the previous carrying amounts of the assets and liabilities have been retained at their original values.

## F5. Notes to the financial statements

### 9. Inventories

<b>As at 31 March</b>	<b>2016</b>
	<b>£m</b>
Raw materials and consumables	34
Work in progress	53
Finished goods and goods for resale	43
	<b>130</b>

The value of inventories above is stated after impairment for obsolescence and write-downs to net realisable value of £36m. The carrying value of inventory held at fair value less costs to sell is £117m.

The directors consider the book value of inventories to be equivalent to their replacement cost.

### 10. Trade and other receivables

<b>As at 31 March</b>	<b>2016</b>
	<b>£m</b>
Trade receivables	134
Less provision for impairment of receivables	(3)
	<b>131</b>
Amounts owed by parent undertakings	30
Amounts owed by group companies	34
Derivative financial instruments (Note 14)	1
Prepayments	1
Other receivables	2
	<b>199</b>

Details of the Company's credit risk are not disclosed because the financial statements of TSE disclose such details on a consolidated basis.

### 11. Cash

<b>As at 31 March</b>	<b>2016</b>
	<b>£m</b>
Cash at bank and in hand	1
	<b>1</b>

### 12. Trade and other payables

<b>As at 31 March</b>	<b>2016</b>
	<b>£m</b>
Trade payables	134
Amounts owed to group companies	4
Amounts owed to parent undertakings	43
Other taxation and social security	3
Interest payable to parent undertakings	1
Derivative financial instruments (Note 14)	3
Capital expenditure creditors	8
Other creditors	9
	<b>205</b>

Other creditors include amounts provided in respect of holiday pay and other employment costs.

## F5. Notes to the financial statements

### 13. Borrowings

As at 31 March	2016 £m
Current:	
Internal:	
Amounts owed to parent company	73
	73
External:	
Obligations under finance lease	2
	2
	75
<hr/>	
As at 31 March	2016 £m
Non-current:	
Inter-group:	
Amounts owed to parent company (loan notes)	74
	74
External:	
Obligations under finance lease	22
	22
	96
<hr/>	
<b>Total borrowings</b>	<b>171</b>

Non-current amounts owed to parent company includes £74m of loans notes which bear interest at 5.05% and are due for repayment in 2025.

The board of the Company granted a guarantee in relation to the debt raised as part of the Senior Facilities Agreement entered into by Tata Steel UK Holdings Limited ('TSUKH'), Tulip UK Holdings (No.3) Limited and Tata Steel Netherlands Holdings BV in October 2014. This guarantee is supported by security over the assets of the Company.

The entire issued share capital of the Company was sold to Olympus Steel Jersey Limited on 31 May 2016. Pursuant to the sale, the Company ceased to provide guarantee in relation to the Senior Facilities Agreement and was released of all obligations. At the same time, security over the assets of the Company was also released.

Amounts payable under finance leases are as follows:

	Minimum lease payments £m	Present value of minimum lease payments £m
Not later than one year	4	2
Later than one year but not more than five years	14	9
More than five years	15	13
	33	24
Less: future finance charges on finance leases	(9)	-
<b>Present value of lease obligations</b>	<b>24</b>	<b>24</b>

## F5. Notes to the financial statements

### 14. Financial instruments

The following table details the Company's financial instruments held at fair value:

As a 31 March	2016 £m
Derivative financial assets due from parent company (Note 10)	1
Derivative financial liabilities due to parent company (Note 12)	3

Derivative financial instruments used by the Company represent forward exchange contracts. These financial instruments are utilised to hedge significant future transactions and cash flows and are subject to hedge accounting under IAS 39 '*Financial Instruments; Recognition and Measurement*'. The Company does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

The following table sets out the fair values of derivatives held by the Company at the end of the reporting period:

	2016	
	Assets £m	Liabilities £m
<b>Current:</b>		
Foreign currency contracts	1	3
<b>Total contracts</b>	<b>1</b>	<b>3</b>

The Company's financial instruments are all classified as Level 2 in the fair value hierarchy. The Company's derivative financial assets and liabilities are categorised as Level 2 and their valuation is based on future cash flows (estimated from observable data such as forward exchange rates and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties.

The fair value of derivative financial instruments that were designated as cash flow hedges at the end of the reporting period were nil.

Ineffectiveness on cash flow hedges recognised in the income statement was a charge of £nil in 2016.

### 15. Deferred tax

No deferred tax assets have been recognised at 31 March 2016. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSE Board approved budgets and forecasts. Following this evaluation, it was determined there was not sufficient certainty of future taxable income being generated to recognise a deferred tax asset. Deferred tax assets have not been recognised in respect of deductible temporary differences of £150m, and UK total tax losses of £353m



## F5. Notes to the financial statements

### 16. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Environmental (ii) £m	Other (iii) £m	Total 2016 £m
At beginning of period	-	-	-	-
Acquisition (Note 8)	2	25	3	30
Charged to income statement	37	23	1	61
Utilised in period	(15)	-	-	(15)
<b>At end of period</b>	<b>24</b>	<b>48</b>	<b>4</b>	<b>76</b>
Analysed as:				
Current liabilities				71
Non-current liabilities				5

(i) Rationalisation costs include redundancy provisions as follows:

	2016 £m
At beginning of period	-
Charged to income statement	28
Utilised during the period	(13)
<b>At end of period</b>	<b>15</b>
	2016 £m
Other rationalisation provisions arise as follows:	
Environmental and other remediation costs at sites subject to restructuring/closure	9
	<b>9</b>

The provision is expected to be utilised over the following year.

(ii) Environmental provisions include a provision of £23m for the shortfall of emission rights in respect of the EU Emissions Trading Scheme. The provision is expected to be utilised over the following 2 to 4 years. The Company benefits from an indemnity from TSUK in respect of such purchases. Accordingly an equal and opposite receivable is recognised within other receivables (Note 10).

(iii) Other provisions include product warranty claims, for which the timing of any potential expenditure is uncertain, provisions for settlement of long term by-products contract and provisions for employee benefits which include long term benefits such as long service and sabbatical leave.

### 17. Called up share capital

The share capital of the Company is shown below as at 31 March:

Authorised	2016 £
1 ordinary shares of £1 each	1
	2016 £
Allotted, called up and fully paid	
1 ordinary shares of £1 each	1

The Company has one class of ordinary shares which carry no right to fixed income. 1 ordinary share of £1 was issued on incorporation.

## F5: Notes to the financial statements

### 18. Future capital expenditure

	2016 £m
Contracted but not provided for	13
Authorised but contracts not yet placed	15

At the end of the period there was £nil of future expenditure planned in relation to intangible assets.

### 19. Operating leases

	2016 £m
Future minimum lease payments for the Company at the end of the period are:	
Not later than one year	13
Later than one year and not later than five	48
More than five years	79
	140

### 20. Ultimate and immediate parent company

TSUK was the Company's immediate parent company to 31 May 2016, which is registered in England and Wales. TSE and TSUKH are intermediate holding companies, registered in England and Wales, with TSUKH the smallest group to consolidate these financial statements.

Tata Steel Limited (TSL), a company incorporated in India, is the ultimate parent company and controlling party and the largest group to consolidate these financial statements.

Copies of the Report & Accounts for TSUK, TSUKH and TSE may be obtained from the Secretary, 30 Millbank, London, SW1P 4WY.

Copies of the Report & Accounts for TSL may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

From 31 May 2016 British Steel Holdings Limited is the Company's immediate parent company, which is registered in England and Wales and Olympus Steel 2 Limited is the ultimate holding company. The ultimate controlling party is Greybull Capital LLP.

### 21. Events after the balance sheet date

On 31 May 2016 TSUK completed the sale of the company to Greybull Capital. BSL will now operate under the British Steel brand and will operate as an independent steel company. On completion of the sale all inter-company loans due to TSUK were waived by the parent company. This resulted in an approximate credit to the income statement of £192m in May 2016.