

The Board of Directors and Managing Director of Tata Steel International (Sweden) AB hereby submit the Annual Report in respect of financial year 1 April 2015 to 31 March 2016.

Directors' report

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Directors' report

This Annual Report has been prepared in accordance with the BFNAR 2012:1 regulations on Annual Report and Consolidated Financial Statements (K3).

The Company, established in 1973, assists parent company British Steel Nederland International BV in the sale of steel products on the Swedish market.

Ownership structure

The Company is a wholly owned subsidiary of British Steel Nederland International BV (corporate ID: 1463601). The Group's parent company is Tata Steel Europe.

Since 2 April 2007, Tata Steel Europe has fallen under the ownership of Indian company Tata Steel, which forms part of the Tata Group.

Key events during the financial year

In parallel with its matrix-based model (comprising the Sales, Marketing and Customer Service sectors as well as the Finance and HR units) Tata Steel has adopted a regional approach, something which has come into full effect in practice during the past year. Those activities specifically related to individual markets are now coordinated by Regional Heads.

Steel prices continued to fall during the financial year, primarily due to imports from China, and this has led to increased pressure on profit margins. As a consequence, and due to currency issues, Tata Steel Europe elected to dispose of its Long Products division, which includes items such as rolled wire and steel bars. These products are used for components in the automotive and aviation industries, among other things. However, this has had a minimal impact on Swedish activities and we have been able to maintain deliveries and relations with our customers.

The downturn in prices on the market bottomed out between January and March (the fourth quarter of the financial year). We have nevertheless observed a drop in imports and a substantial increase in prices due to the sanctions imposed in Europe, which are intended to ensure imposition of customs tariffs on imported materials. This indicates that the market has bottomed out, with brighter times ahead.

The Company's anticipated future development

Immediately prior to the financial year end, Tata Steel Group announced it was seeking an alternative to its British operation, and the process to dispose of all of its British assets was subsequently set in motion. This is also set to affect Swedish production and operations, albeit to a limited extent. The effects of this are currently offset by the initial growth targets for the Swedish market, and we do not expect growth objectives for our sheet steel products to be affected.

Proposed appropriation of profits

The Board of Directors recommends that the profit available for disposition (SEK):

profit brought forward	10,626,350
dividends approved at Extraordinary General Meeting	-10,626,000
net profit for the year	5,201,893
	5,202,243

be distributed as follows

to be carried forward	5,202,243
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At an Extraordinary General Meeting held on 10 March 2016, it was ruled that dividends totalling SEK 10,626,000 would be issued in March, and this was duly carried out.

The Company's financial performance and standing are otherwise represented in the following profit and loss statement and balance sheet, including supplementary disclosures.

Profit and loss statement	Note	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Net turnover	1	698,125	810,730
Commission income		21,575,949	19,678,706
Other operating income	2	11,660	66,102
		22,285,734	20,555,538
Operating costs			
Commodities	1	-390,051	-719,920
Other external costs	3, 4	-3,714,117	-2,985,276
Personnel costs	5	-11,097,825	-10,908,955
Depreciation of tangible assets	6	-270,584	-299,877
Other operating costs		0	-20,807
		-15,472,577	-14,934,835
Operating profit		6,813,157	5,620,703
Profit/loss from financial items			
Other interest income and similar profit/loss items	7	59	1,157
Interest expenses and similar profit/loss items	8	-118,691	-130,996
		-118,632	-129,839
Profit/loss from financial items		6,694,525	5,490,864
Pre-tax profit		6,694,525	5,490,864
Tax on profit for the year	9	-1,492,632	-1,231,573
Net profit for the year		5,201,893	4,259,291

Balance sheet	Note	31/03/2016	31/03/2015
ASSETS			
Fixed assets			
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	6	971,420	1,464,285
		971,420	1,464,285
Total fixed assets		971,420	1,464,285
Current assets			
<i>Current receivables</i>			
Receivables from group companies		6,285,378	13,165,720
Other receivables		123,445	197,404
Prepaid expenses and accrued income		470,434	536,700
		6,879,257	13,899,824
<i>Cash and bank balances</i>		2,225,946	1,125,347
Total current assets		9,105,203	15,025,171
TOTAL ASSETS		10,076,623	16,489,456

Balance sheet	Note	31/03/2016	31/03/2015
EQUITY AND LIABILITIES			
Equity	10		
<i>Restricted equity</i>			
Share capital (1,000 shares)		100,000	100,000
Statutory reserve		20,000	20,000
		120,000	120,000
<i>Non-restricted equity</i>			
Profit/loss brought forward		350	6,367,059
Net profit for the year		5,201,893	4,259,291
		5,202,243	10,626,350
Total equity		5,322,243	10,746,350
Long-term liabilities			
Leasing liability	3	666,981	1,170,851
Total long-term liabilities		666,981	1,170,851
Current liabilities			
Bills payable		240,034	254,516
Current tax liabilities		249,983	624,707
Other liabilities		409,499	332,959
Leasing liability	3	269,826	293,434
Accrued expenses and deferred income	11	2,918,057	3,066,639
Total current liabilities		4,087,399	4,572,255
TOTAL EQUITY AND LIABILITIES		10,076,623	16,489,456
Pledged assets		None	None
Contingent liabilities		None	None

Supplementary disclosures

Accounting and valuation principles

General information

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the BFNAR 2012:1 regulations on Annual Report and Consolidated Financial Statements (K3).

Receivables

Receivables have been recorded at the values at which they are anticipated to be paid. If nothing else is stated, other assets and liabilities have been recorded at their acquisition values. Distribution of revenue and expenditure over a period of time has been carried out in accordance with generally accepted accounting principles.

Foreign currencies

Foreign currency receivables and liabilities are recorded at the rate in effect on the balance sheet date. Foreign currency transactions have been translated by applying the spot exchange rate in effect on the transaction date.

Profit and loss from receivables relating to operations have been offset among other operating income, or other operating costs, respectively.

Revenue

Receivables

Revenue has been recorded at the fair value for what has been, or will be, received, and reported to the extent that the financial proceeds will most likely be utilised by the Company, and revenue can be calculated in a reliable manner.

Fixed assets

Depreciation of fixed assets has been made according to plan over the anticipated duration of their useful life, taking into account the material residual value. Depreciation percentages have been applied as follows:

Tangible assets

Equipment

20

Leasing agreements

As the financial risks and benefits associated with the leased assets have been passed to the lessee, the agreement is classified as financial leasing. For the initial accounting transaction, a receivable is reported in the balance sheet. Direct costs arising in connection with the Company entering into financial leasing agreements shall be spread over the entire leasing period. For subsequent accounting transactions, financial revenue attributable to the agreement shall be spread over the leasing period, to ensure an even return.

Income taxes

Current tax

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the profit recorded in the profit and loss statement, as it has been adjusted for non-taxable income and non-allowable costs in addition to income and costs which are taxable or allowable in other periods. The current tax liability is calculated in accordance with the tax rates in effect as of the balance sheet date.

Notes on the accounts

Note 1 Purchases between group companies

	01/04/2015 -31/03/2016	01/04/2014 -31/03/2015
Purchases (%)	97	96
	97	96

Note 2 Other operating income

	01/04/2015 -31/03/2016	01/04/2014 -31/03/2015
Other income	0	160
Disposal of cars	0	46,793
Exchange rate gains	11,660	19,149
	11,660	66,102

Note 3 Financial leasing agreements – lessees

Leasing costs attributable to leasing agreements for the year amount to SEK 0 (SEK 0).

In accordance with K3 regulations, leasing of cars for the year is recorded as financial leasing.

Future leasing liabilities relating to non-cancellable leasing agreements become due for payment as follows:

	01/04/2015 -31/03/2016	01/04/2014 -31/03/2015
Within one year	269,826	293,434
Later than one year but within five years	666,981	1,170,851
Later than five years	0	0
	936,807	1,464,285

Leased property

Fixed assets

Accumulated acquisition costs	1,754,019	1,754,019
Former employees' takeover of leasing contracts	-265,860	0
Accumulated depreciation	-551,352	-289,734
Closing carrying amount	936,807	1,464,285

Effective from 01/06/2015 (inclusive), P Lindberg took over the leasing contract relating to his company car.

Note 4 Auditors' fees

Audit assignments refer to the examination of the Annual Report and financial records, as well as the administration of the Board of Directors and Managing Director, other tasks incumbent upon the Company's auditor and consultancy or other assistance which arises from observations noted in conjunction with such examination or the performance of such other tasks.

	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Deloitte AB		
Audit assignments	47,250	78,996
Audit activities in addition to the audit assignment	7,500	0
	54,750	78,996

Note 5 Employees and personnel costs

	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Average number of employees		
Women	5.40	5.00
Men	5.75	6.00
	11.15	11.00

Salaries and other remuneration and national insurance costs,

including pension costs

Salaries and other remuneration	7,343,200	6,727,595
National insurance costs and pension costs (whereof pension costs)	3,208,721 (860,738)	3,612,735 1,307,662)
Total salaries, other remuneration, national insurance and pension costs	10,551,921	10,340,330

Breakdown by gender in senior management

Percentage of women on board	0 %	33.3%
Percentage of men on board	100 %	66.7 %
Percentage of women in other senior management posts	50 %	0 %
Percentage of men in other senior management posts	50 %	100 %

Note 6 Equipment and leased cars

	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Opening acquisition costs	2,450,523	696,504
Acquisitions	35,200	1,754,019
Sales/disposals	-265,860	
Closing accumulated acquisition costs	2,219,863	2,450,523
Opening depreciation balance	-986,238	-686,361
Sales/disposals	8,379	
Depreciation for the year	-270,584	-299,877
Closing accumulated depreciation costs	-1,248,443	-986,238
Closing carrying amount	971,420	1,464,285

In accordance with K3 regulations, leased cars shall be recorded as leased assets, and subject to depreciation until the expiration of the leasing term.

Note 7 Other interest income and similar profit/loss items

	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Other interest income	59	1,157
	59	1,157

Note 8 Other interest expenses and similar profit/loss items

	01/04/2015 –31/03/2016	01/04/2014 –31/03/2015
Interest on leased assets	33,993	130,498
Other interest expenses	84,698	498
	118,691	130,996

Note 9 Tax on profit for the year

	01/04/2015 -31/03/2016	01/04/2014 -31/03/2015
Current tax	-1,492,632	-1,231,573
Tax on profit for the year	-1,492,632	-1,231,573
Reconciliation of tax expense for the year:		
Reported pre-tax profit/loss	6,694,525	5,490,864
Tax calculated at 22%	-1,472,795	-1,207,990
Tax effect of non-allowable costs	-19,850	-23,837
Tax effect of non-taxable income	13	254
Reported tax expense for the year	-1,492,632	-1,231,573

Note 10 Changes in equity

Number of shares: 1,000

	Share	Statutory	Net profit/loss	Profit/loss
	capital	reserve	brought	for the year
	100,000	20,000	forward	4,259,291
Totals at year end	100,000	20,000	6,367,059	4,259,291
Allocation in accordance with Annual General Meeting resolution:			4,259,291	-4,259,291
Allocation in accordance with Extraordinary General Meeting resolution:			-10,626,000	
Net profit for the year				5,201,893
Totals at year end	100,000	20,000	350	5,201,893

Share capital – 1,000 shares at quota value of SEK 100.

11 Accrued expenses and deferred income

	31/03/2016	31/03/2015
Special payroll tax	515,556	638,189
Accrued salaries	702,653	927,507
Accrued holiday pay	954,346	824,710
Accrued national insurance, holiday pay and bonuses	520,629	550,547
Other interim liabilities	224,873	125,684
	2,918,057	3,066,637

Gothenburg

2016-06-17



Philip Hancox
Chairman



Raimo Järvelä



Stephan Landes
Managing Director

Our audit report, which deviates from the standard format, has been submitted