LAYDE STEEL, S.L.U.

BALANCE SHEET AS ON MARCH 31, 2016 AND 2015 (Notes 1, 2 and 4)
(Thousand euros)

ASSETS	Report Note	31.03.16	31.03.15 (*)	TOTAL EQUITY AND LIABILITIES	Report Note	31.03.16	31.03.15 (*)
NON-CURRENT ASSETS:		8,347	9,260	**NET ASSETS:**		11,622	(23,399)
Fixed assets intangible	4a	13	10	**SHARE HOLDERS EQUITY**	11	11,622	(23,399)
Computer Applications		13	10	Capital-		5,000	5,000
Tangible fixed assets	5	8.239	9,245	Registered Capital		5,000	5,000
Land and buildings		6,425	6,707	Reserves-		19,146	19,146
Technical installations and other tangible fixed assets		1,719	2,350	Other reserves		19,146	19,146
Fixed assets current and advances		185	188	Results of previous financial years		(7,545)	(42,718)
Financial investments long term		5	5	Negative Results of previous financial years		(7,545)	(42,718)
Other financial assets		5	5	Result of the financial year - (Loss)		(4,979)	(4,827)
CURRENT ASSETS:		67,451	36,828	**NON- CURRENT LIABILITIES:**		30,000	47,000
Stocks	8	12,794	16,790	Long term Debts with group companies of the and partners	11 & 14	30,000	47,000
Raw materials and other supplies		6,739	8,636	Long term Credits		-	17,000
Products in progress		3,335	4,937	-Equity loans		30,000	30,000
Finished products		2,720	3,217				
Commercial debtors and other accounts receivable	7	13,604	18,224	**CURRENT LIABILITIES:**		34,176	22,487
Trade receivables for sales and services		13,580	18,211	Short-term debts	5	214	156
Clients, group companies and partners	14	24	11	Short term Debts with group companies and partners	14	21,000	839
Personnel			2	Commercial creditors and other accounts payable		12,962	21,492
Short term Financial investments	9	40,005	-	Suppliers		2,840	4,257
Other short term Financial assets		40,005		Suppliers, group companies and partners	14	6,521	13,304
Accruals		85	84	Sundry Creditors		1,170	1,129
Cash and other equivalent liquid assets	10	963	1,730	Personnel (wages pending payment)		625	569
Treasury		963	1,730	Other debts with Public Administrations	13	1,546	1,903
				Advances from clients		260	330
TOTAL ASSETS		75,798	46,088	**TOTAL NET ASSETS AND LIABILITIES**		75,798	46,088

(*) Given exclusively for comparison purposes. The Balancesheet of FY 2015 differs from that contained in the financial statements for FY 2015, prepared by the Management and subsequently approved by the Sole Shareholder, as explained in Note 2h of the attached report.

Notes 1 to 15 described in the attached Report is an integral part of the balance sheet as on March 31, 2016.

LAYDE STEEL, S.L.U.

STATE OF CASH FLOWS OF THE FINANCIAL YEARS
ENDED ON MARCH 31, 2016 AND 2015 (Notes 1, 2 and 4)
(Thousand euros)

	Report Note	Financial year 2016	Financial year 2015 (*)
CASH FLOWS OF THE OPERATING ACTIVITIES (I)			
		(4,391)	1,618
Result of the financial year before taxes		(4,979)	(4,827)
Adjustments to results for:		3,768	4,163
- Depreciation of fixed assets	4a & 5	1,371	1,679
- Valuation corrections for deterioration	7 & 8	132	24
- Losses on derecognition and disposal of fixed assets	5	(24)	-
- Financial Income		(76)	(87)
- Financial expenses	14	2,365	2,547
Changes in the current capital		47	3,910
- Stocks	8	3,899	(2,901)
- Debtors and other accounts receivable	7 & 14	4,585	2,973
- Other current assets		(1)	(10)
- Creditors and other accounts payable	13 & 14	(8,530)	9,794
Other cash flow from operating activities		3,133	1,628
- Payments of interests	14	(3,204)	(1,708)
- Interest received		76	87
- Other payments		(5)	(7)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		(376)	(176)
Payments for Investments		(401)	(176)
- Intangible fixed assets	4a	(44)	(50)
- Tangible fixed assets	5	(357)	(125)
- Other assets		-	(1)
Receipts from divestments		25	
- Tangible fixed assets	5	25	-
CASH FLOWS FROM FINANCING ACTIVITIES (III)	14	4,000	(500)
Receipts and payments from financial liability instruments		4,000	(500)
Debt issuance with group companies and partners		4,000	(500)
NET DECREASE / INCREASE OF THE CASH OR EQUIVALENTS (I+II+III)		(767)	942
Cash or equivalent at the beginning of the financial year		1,730	788
Cash or equivalent at the close of the financial year		963	1,730

(*) Given exclusively for comparison purposes.
Notes 1 to 15 described in the attached Report are an integral part of the State of cash flows corresponding to the financial year ended on March 31, 2016.

LAYDE STEEL, S.L.U.

STATE OF CHANGES IN THE NET ASSETS OF THE FINANCIAL YEARS ENDED ON MARCH 31, 2016 AND 2015 (Notes 1, 2 and 4)

A) STATE OF INCOME AND EXPENSES RECOGNIZED
(Thousand euros)

	Financial year 2016	Financial year 2015 (*)
RESULT OF THE PROFIT AND LOSS ACCOUNT (I)		
	(4,979)	(4,827)
TOTAL INCOME AND EXPENDITURE RECOGNIZED DIRECTLY IN THE NET ASSETS (II)		
TOTAL TRANSFERENCES TO THE PROFIT AND LOSS ACCOUNT (III)		
TOTAL INCOME AND EXPENDITURE RECOGNIZED (I+II+III)		
	(4,979)	(4,827)

B) TOTAL STATE OF CHANGES IN THE NET ASSETS
(Thousand euros)

	Registered Capital	Voluntary Reserves	Results of previous financial years	Result of the financial year	Total
INITIAL BALANCE AS ON APRIL 1, 2015 (*)	5,000	19,146	(30,157)	(6,222)	(12,233)
- Correction of errors	-	-	(6,339)	-	(6,339)
INITIAL BALANCE ADJUSTED AS ON APRIL 1, 2015 (*)	5,000	19,146	(36,496)	(6,222)	(18,572)
Total income and expenditure recognized	-	-	-	(4,827)	(4,827)
Other changes of the net assets					
- Distribution of the result of 2014	-	-	(6,222)	(6,222)	-
FINAL BALANCE AS ON MARCH 31, 2015(*)	5,000	19,146	42,718	4,827	23,399
Total income and expenditure recognized	-	-	-	(4,979)	(4,979)
Other changes of the net assets					
- Distribution of the result of 2015	-	-	(4,827)	4,827	-
Operations with shareholders					
Other Shareholder contributions (Notes 2, 9, 11, 14 & 15g)	-	-	40,000	-	40,000
FINAL BALANCE AS ON MARCH 31, 2016	**5,000**	**19,146**	**(7,545)**	**(4,979)**	**11,622**

(*) Given exclusively for comparison purposes. The State of Change in the Net assets of FY 2015 differs from that contained in the financial statements for FY 2015, prepared by the Management and subsequently approved by the Sole Shareholder, as explained in Note 2h of the attached report.

Notes 1 to 15 described in the attached Report are an integral part of the Total state of changes in the net assets corresponding to the financial year ended on March 31, 2016.

LAYDE STEEL, S.L.U.

PROFIT AND OF LOSS ACCOUNTS CORRESPONDING TO THE FINANCIAL YEARS ENDED ON MARCH 31, 2016 AND 2015 (Notes 1, 2 and 4)

(Thousand euros)

	Report Note	Financial year 2016	Financial year 2015 (*)
CONTINUED OPERATIONS:			
Net amount of turn over	12.a	106,901	112,132
Sales		106,901	112,132
Change of stock of finished products and under production	8	(2,099)	245
Supplies-		(89,991)	(97,920)
Consumption of raw materials and other consumables	I2.b	(89,646)	(97,709)
Works done by other companies		(248)	(188)
Deterioration of goods, raw materials and other supplies	8	(97)	(23)
Other Income from operation		136	24
Supplementary and other income from ongoing operations		136	24
Staff costs	12. c	(7,322)	(6,659)
Salaries, wages and similar		(5,684)	(5,140)
Social security charges		(1,638)	(1,519)
Other operating expenses			
Outsourcing	12.d	(8,811)	(8,407)
Taxes		(122)	(79)
Losses, deterioration and change of provisions for commercial operations	7	(35)	(1)
Depreciation of fixed assets	4a & 5	(1,371)	(1,679)
Deterioration and profit/loss from disposals of fixed assets	5	24	-
Profit/loss from disposals and others		24	-
RESULT OF OPERATION		(2,690)	(2,344)
Financial income		76	87
From marketable securities and other financial instruments		76	87
From third parties		76	87
Financial expenditure		(2,365)	(2,547)
By debts with group companies and partners	14	(2,339)	(2,505)
By debts with third parties		(26)	(42)
Exchange differences		-	23
FINANCIAL RESULTS	13	(2,289)	(2,483)
RESULT BEFORE TAXES		(4,979)	(4,827)
Taxes on profits		-	
RESULTOF THE FINANCIAL YEAR PROCEEDING FROM CONTINUED OPERATIONS		(4,979)	(4,827)
RESULT OF THE FINANCIAL YEAR (LOSS)		**(4,979)**	**(4,827)**

(*) Given exclusively for comparison purposes.
Notes 1 to 15 described in the attached Report are an integral part of the profit and loss account corresponding to the financial year ended on March 31, 2016.

Layde Steel, S.L.U.

Report of the Financial Year ended on

March 31, 2016

1. General Information

The core activities of Layde Steel, S.L.U. (hereinafter referred to as "The Company") are manufacture, sale and marketing of steel products, as well as services of management and information and business administration, administration in general, and disposal of property, real estate and securities.

The activities of the Company focus on cold lamination of steel bobbins, stripping and cutting for various segments of clients, automotive being the most significant.

The only industrial unit of the Company as well as its registered and corporate offices are located in Durango (Vizcaya).

With effect from February 4, 2005, the Company changed its name from Corus Iberia, S.L.U. to Corus Lamination and Derivatives, S.L.U, the corresponding entry being made in the Commercial Register. With effect from December 17, 2004 the Sole Partner of Corus Iberia, S.L.U. (at present Layde Steel, S.L.U.) and the Company itself, as the Sole Shareholder of Lamination and Derivatives, S.A.U., decided to merge the two companies, so that Corus Iberia, S.L.U. as acquiring company, absorbed all the assets of Lamination and Derivatives, S.A.U. (target company), which remained dissolved without liquidation, transferring its assets in block to the former. The general terms, as well as the effects of the said merger are reflected in detail in the Report of the annual accounts for the financial year 2004. With effect from December 9, 2010 the Company changed its name Corus Lamination and Derivatives, S.L.U. to Layde Steel, S.L.U.

The Company is controlled by British Steel Netherland International, B.V., a company of Dutch nationality, which holds 100 % of the shares of the Company and is integrated to the TATA Steel Group (Notes 11 and 14).

2. Bases of presentation

a) Normative Framework of the financial information applicable to the Company

These annual accounts have been prepared by the Management in accordance with the normative framework of financial information applicable to the Company, laid down in:

a) The Code of Commerce and other mercantile legislation.

b) The General plan of Accounting approved by the Royal decree 1514/2007 and its sectorial Adaptations.

c) The mandatory norms approved by the Institute of Accounting and Auditing of Accounts developed under the General Plan of Accounting and its complementary norms.

d) All other Spanish accounting regulations applicable.

b) Faithful image

The annual accounts have been obtained from the accounting registers/records of the Company and are presented according the normative frame of financial information that results from its application and, in particular, the accounting principles and criteria contained in it, so that they show the faithful image of the assets, the financial situation, the results of the Company and the cash flows during the corresponding financial year.

These annual accounts, which have been prepared by the Management of the Company, will be submitted for the approval of the Sole Partner, assuming that these will be approved without any changes. On its part, the annual accounts of the financial year ended on March 31, 2015 were approved by the Sole Partner in the General Meeting convened on 14 January, 2016.

c) Non-mandatory Accounting Principles applied

Non-mandatory Accounting Principles have not been applied. Additionally, the Management has prepared these annual accounts taking in to consideration the totality of the accounting principles and norms of mandatory application that have a significant effect in the said annual accounts. No accounting principle that is mandatory has been excluded from being applied.

d) Critical aspects of the evaluation and estimation of the uncertainty

In the preparation of the annual accounts the estimations made by the Management of the Company have been used for the valuation of some of the assets, liabilities, income, expenditure and commitments that are reflected in them. Basically these estimations refer to:

- The evaluation of possible deterioration losses of certain non-current assets (Notes 4.c and 5)
- The useful life of the tangible and intangible assets (Notes 4.a, 4.b and 5)
- The evaluation of the recoverability of the fiscal credits according to the positive tax bases of next 10 years (Note 13)
- The calculation of the deterioration of the value of the stocks by the net value of realization and obsoleteness (Notes 4.e and 8) and of their accounts receivable (Notes 4.d and 7)

The Management of the Company estimates that there are no significant contingent liabilities for the Company as on March 31, 2016 (Note 4.j).

Although these estimations have been made on the basis of the best available information at the end of FY 2016, it is possible that events that may take place in the future may force to modify these (to increase or decrease) in the next financial years, which would be done, as applicable, prospectively.

e) Operating Company

From the financial year 2010 the Company has been incurring operating losses on account of, among other factors, the market conditions in the last years. Although up to the beginning of the financial year 2013 the demand level was below the expected level, the Company began to show signs of recovery in FY 2014 and in FY 2016 it consolidated its sales in terms of tonnage sold.

In the opinion of the Management, measures have been taken both in the previous financial years and in the current financial year, endorsed and validated by the TATA Steel Group to which the Company belongs, to mitigate the factors that have caused the continuous operating losses in the previous financial years. In this sense, between financial years 2013 and 2015 the Company was immersed in a process of strategic change of face to the betterment of the profitability of its products through adaptation to the current market based on a change in the product mix, strengthening the main lines of business. The budget for 2017 approved by the management of the Company is based on certain assumptions and market trends which mainly include stability of the sector in which it operates and maintenance of the presence of the Company in European markets, as well as continuation of working in the key sectors, together with TATA Steel Group, which impact on maintaining the demand for the tonnage produced by the Company. It contemplates obtaining enough revenue to cover the operating expenses planned for the financial year ending on31 March 2017.

Further, the Sole Partner continues to support the Company by maintaining a credit line with a maximum available amount of 28 million euros renewed on 30 March 2015 with a repayment period of 18 months.

Additionally, on March 30, 2016 the Sole Partner has approved to make a nonrefundable monetary contribution of 40 million euros in order to compensate the losses incurred by the Company in the previous financial years and reflected in paragraph “Negative results of previous financial years”. The said nonrefundable monetary contribution has not been made effective at the close of the financial year 2016 and it is reflected entirely in paragraph “Other short term financial assets” of the attached balancesheet as on March 31, 2016.

On April 20, 2016 the above mentioned nonrefundable monetary contribution of 40 million euros has been fully disbursed (Note 15.g).

Deepening the financial support that the Group gives to the Company, at the closure there are two equity loans of amount 15 million euros each. On the one hand, on March 30, 2013, the Group has converted part of the granted credit line in to equity loan for an amount of 15 million euros and expiration March 30, 2023, in order to correct the asset imbalance caused by the losses of the previous financial years. On the other hand, on December 30, 2014, the Group has converted one credit line into another equity loan for an amount of 15 million euros and expiration December 30, 2024, after new asset disbalance existed.

Additionally, from the financial year 2014 through one of its branches the Group has subscribed a credit transfer policy (non-recourse "factoring") with the Company for financing certain receivable accounts (Notes 4.d and 14).

In conclusion, the Company receives financial and business support of the Group to which it belongs, in general, the necessary credit lines being renewed annually for financing the operations. Consequently, the Management does not have doubts about the economic and financial support on the part of the Group so that the Company can meet its financial obligations normally, and thus guarantee continuity of the Company.

The Management of the Company has neither taken nor intends to take any decision that could significantly alter the accounting value of the items of assets and liabilities, or the term in which the assets will be realized or the liabilities will be liquidated.

f) Grouping of parts

Certain parts of the balance sheet, profit and loss account, state of changes in the net assets and state of cash flows are given in grouped form to facilitate their comprehension, although, in significant measures, individual information has been included in the corresponding notes of the Report.

g) Changes in accounting criteria

During the financial year 2016 there has been no significant changes in the accounting criteria with regard to the criteria applied in the financial year 2015.

h) Correction of errors

During the preparation of the annual accounts of FY 2016 various errors have been detected in the approved annual accounts of FY 2015, brought out in the opinion of the auditors, which incorporated the corresponding exceptions. The description of the said errors, substantiation of the same in the annual accounts of FY 2016 and the changes incorporated in the financial statements corresponding to the financial year ended on March 31, 2015 (which are attached to the present annual accounts exclusively for the purpose of comparison,), are detailed below:

- As on March 31, 2015 and 2014, the Company had recorded a few assets by deferred tax amounting to 5,717 thousand euros which was corrected charged to the initial balance under the head “Negative results of previous Financial Years” as there did not exist evidences of recoverability of the same and the Sole Administrator thinking that the said situation originates from previous financial years (Note 13.d).
- As on March 31, 2015, the Company had recorded its intangible fixed assets and tangible fixed assets amounting to 111 and 9,766 thousand euros, respectively. During FY 2016, the Company, based on an appraisal of the property assets of the Company conducted by an independent third party as well as by carring out an analysis of the deterioration of certain assets taking the current value of estimated future cash flows as a base (Note 4.c), and also based on the information about the said assets facilitated by the TATA Steel Group to which it belongs (Note 1 and 11), concluded that the intangible and tangible fixed assets of the Company present deteriorations for amounts of 101 and 521 thousand euros, respectively (Notes 4.a and 5). On having understood that the said situation originates from previous financial years (Note 4.c) the Company has proceeded

to make correction charged to the initial balance under the head "Negative results of previous Financial Years"

As consequence of the described errors, the state of changes in the net assets corresponding to FY 2015, as the current regulation requires, has been modified bearing in mind that the said errors affect the financial years previous to the FY 2015 that serves as comparative. Also, the balancesheet of FY 2015 differs from the one approved in the chapters and by the following amounts (in thousand euros):

Balance sheet Chapter	**Annual accounts approved 2015**	**Annual accounts 2015 adapted to comparative effects**	**Difference**
Intangible fixed assets (Note 4.a)	111	10	101
Tangible fixed assets (Note 5)	9,766	9,245	521
Assets by differed tax (Note 13.d)	5,717	-	5,717
Negativ results of previous Financial Years	(36,379)	(42,718)	(6,339)

i) Comparison of the information

The information contained in this Report referred to the financial year 2016 gives the information relating to financial year 2015 for comparison purposes.

3. Application of the result

The proposal of application of the result of the financial year prepared by the Management of the Company and which will be submitted for the approval of the Sole Partner is as follows (in thousand euros:

	Financial year 2016
To Negative results of previous financial years	(4,979)
Total	**(4,979)**

4. Norms of record and evaluation

The principal norms of record and evaluation used by the Company in the preparation of its annual accounts for the financial years 2016 and 2015, according the provisions specified by the General Plan of Accounting, are the following:

a) Intangible Fixed assets

As general norm, the intangible fixed assets are valued initially by their acquisition price or production cost. Later on, it is valued at its cost reduced by the corresponding accumulated depreciation and, as applicable, by the losses due to deterioration that it has undergone. The said assets are amortized according to their useful life.

Computer applications

The licenses for computer programs acquired from third parties are capitalized on the basis of the expenditure incurred to acquire them and to prepare them for the use of the specific program. These costs are amortized during its estimated useful life (5 years). The expenses related to the maintenance of computer programs are recognized as expenditure when incurred.

During the financial year the Company has achieved improvements and renovations in the software of supply chain, planning and offers for an amount of 44 thousand euros. The amortization corresponding to the FY 2016 has increased to 41 thousand euros (37 thousand euros in FY 2015). Additionally, the Company has realized a deterioration amounting to 101 thousand euros charged to the initial balance under the head “Negative Results of previous financial years” (Note 2.h). Finally, the Company has proceeded to write off elements of the intangible fixed assets that were completely amortized amounting to 227 thousand euros.

b) Tangible Fixed assets

The elements of the tangible fixed assets are recognized by their acquisition price or production cost less the accumulated depreciation and the accumulated amount of losses recognized. As a consequence of the merger operation effected in the financial year 2004 (Note 1), the acquiring company Layde Steel, S.L.U. (earlier Corus Iberia, S.L.U.), has acquired, among other assets, the tangible fixed assets of Lamination and Derivatives, S.A.U. (target company) by their values in the target company plus certain capital appreciations highlighted after the merger process and has incorporated at their net book value plus the said appreciations.

The amount of the works done by the Company for its own tangible fixed assets is calculated by summing the acquisition cost of the consumables and the direct or indirect costs chargeable to the said goods. The costs of enlargement, modernization or improvement of the items of the tangible fixed assets are added to the assets as the greater value of the item exclusively when an increase in its capacity, productivity or extension of useful life is assumed, and provided that it is possible to know or estimate the book value of the elements that are written off from the inventory on being replaced.

The costs of important repairs are activated and are amortized during their estimated useful life, while the recurring maintenance costs are booked in the profit and loss account during the corresponding financial year.

The depreciation of the Tangible Fixed assets, with the exception of the lands that are not amortized, is calculated systematically by the linear method according to their estimated useful life, considering the depreciation actually suffered through operation, use and enjoyment. As a result of the study of evaluation of the appreciation highlighted as a consequence of the merger operation mentioned above, the useful residual lives were re-estimated to apply to the net book value of the different heads of the Tangible Fixed assets, as follows:

	Residual life, Years
Buildings	10-16
Technical installations and machinery	7-12
Tooling	4
Furniture	5
Data processing equipment	4

On the other hand, the Company maintains the following depreciation coefficients applicable to the additions of the fixed assets after the closing of the financial year 2004:

	Useful life, Years
Buildings	30
Technical installations and machinery	10
Tooling	5
Furniture	10
Data processing equipment	5
Transport items	5

The useful life of the assets is revised, adjusting if necessary, on the date of each balance sheet.

When the book value of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount (Note 4.c).

The losses and profits by the sale of tangible fixed assets are calculated comparing the income obtained by the sale with the book value and are taken in the profit and loss account.

The financial expenses directly attributable to the acquisition or construction of the elements of the fixed assets requiring a period of time more than one year to be in conditions of use are added to their cost until they are in operating conditions.

c) Deterioration of the value of intangible and tangible assets

When there is any indication of deterioration an estimation of the recoverable value of the said assets is made to determine the write-off amount, if it is finally necessary. The recoverable amount will be the higher of the market value reduced by its sale cost or the value in use, taken to be the present value of estimated future cash flows.

In the case when the recoverable amount is lower than the net book value of the assets, the amount of difference is taken as the corresponding deterioration loss and charged under head "Deterioration and results from disposal of fixed assets" of the Profit and loss account and credited under "Intangible Fixed assets" or "Tangible fixed assets", as appropriate, of the balance sheet.

Where a deterioration loss is subsequently reversed, the book value of the asset is increased in the revised estimate of its recoverable amount, but in such a way that that the increased book value does not exceed the book value that would have been determined without any deterioration loss recognized in previous financial years. The said reversion of a deterioration loss of value is recognized as income.

During the Financial year 2016, a third independent assessor has carried out an appraisal of the property assets of the Company in order to ascertain the of recovery value of the same. The appraisal has been conducted from February 25, 2016, and land, buildings and other constructions, machinery, internal transport, installations, tools and hardware, furniture and data processing equipment have been included in the evaluation. The assets were valued pricing under cost and market criteria and under the hypothesis of "Continuous use" and "Alleged benefits," so that the capacity of the assets valued to generate future income has not been questioned. On the other hand, the following are the methods used for the appraisal:

Cost Method:

This method consists in estimating the Cost of Restoration to New, which would be the cost required to replace a property by another new one, which uses the latest technology and construction materials, reproducing the capacity and utility of the existing property and deducting from this value the resultant depreciation due to physical deterioration and obsoleteness. This method has been applied for the evaluation of the machinery, installations, internal transport, furniture and data processing equipment.

Market Method:

With this method the value of the property is estimated based on others having similar characteristics, recently sold or in the process of sale.

Residual Static and Dynamic method:

This Residual method has been applied for the valuation of the land of the Company and it departs from the fact that the selling price of a property consists of the integration of various costs: cost of land, cost of construction of the building and costs and benefits of property development.

Additionally, and in the specific case of certain tangible assets such as machinery, installations, internal transport, furniture and data processing equipments, the Company has been provided with information related to the use and useful life of the above said assets. From the said information, as well as taking the assumptions made by the Management of the Company in previous Financial Years as a base, the Company has conducted a deterioration test of the said assets in order to evaluate if their estimated recoverable value (this being understood as their value in use, that is to say, the current value of the estimated future cash flows) supports the book value at which these are registered. In this sense, and as a result of the retrospective analysis conducted on the part of the Company, such as that described in Note 2.h of the report, the Company has corrected, booking the deteriorations charged to the Negative results of previous Financial Years, the amount at which the said assets were booked on March 31, 2015, considering that the said situation originates from previous Financial Years.

After making the correction, in the opinion of the Management the recoverable value of the tangible fixed assets of the Company estimated by any of the methods applied would be higher than the net book value that is recorded as on March 31, 2016.

d) Financial assets

Loans and other receivables

The loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in the current assets, except for expirations higher than the 12 months from the date of the balance sheet, which are classified as non-current assets. The loans and other receivables are included under head "Commercial Debtors and Other receivables" of the balance sheet.

These financial assets are valued initially by their fair value, including transaction costs that are directly attributable to them and later at amortized cost recognizing the interests earned based on their effective interest rate, understood as the discount rate that equals the book value of the instrument with all its estimated cash flows until expiry. Not withstanding the aforesaid, the credits by commercial operations with expiry not higher than one year are valued, both at the moment of initial as well as later recognition, by their face value provided that the effect of not discounting the flows is not significant.

At least at the close of the financial year the Company conducts a deterioration test for the financial assets that are not registered at fair value. It is considered that objective evidence of deterioration exists if the recoverable value of the financial asset is lower than its book value. When it happens, the record of this deterioration loss is recognized in the profit and loss account.

In particular, and with regard to the valuation corrections on commercial debtors and other receivables, the Company follows the deterioration criterion of the credits for which after an individual analysis of their recoverability, and according to their age or other aspects, such as irregular situation, bankruptcy or insolvency, are circumstances that can reasonably be classified as doubtful (Note 7).

The Company derecognizes the financial assets when they expire or when their rights on the cash flows of the corresponding financial asset have been ceded and the risks and benefits inherent in its property have been transferred substantially, such as outright sales of assets, transfers of commercial credits in "factoring" operations in which the company neither retains any credit risk nor interest, the sales of financial assets under repurchase agreements at fair value or securitization of financial assets in which the transferor company neither retains subordinated financings nor grants any type of guarantee nor assumes any other type of risk (Notes 7 and 14).

On the contrary, the Company does not derecognize the financial assets, and recognizes a financial liability as an amount equal to the received compensation, in the transfers of financial assets in which the risks and benefits inherent in its property should be retained substantially, such as discount of effects, "factoring with recource", sales of financial assets with repurchase agreements at a fixed price or at sale price plus an interest and securitization of financial assets in which the transferor company retains subordinated financings or other type of guarantees that substantially absorb all the expected losses.

e) Stocks

The stocks are valued at their actual cost of acquisition or at their net saleable value, whichever is less. When the net saleable value of the stock is lower than its cost, the necessary valuation corrections will be carried out, recognizing them as an expense in the profit and loss account. If the circumstances that cause value correction cease to exist, the correction amount will be reversed and recognized as income in the profit and loss account.

The cost of the finished products and the products in progress includes the costs of raw materials, direct labor, other direct costs and general manufacturing expenses (based on a normal working capacity of the production facility). The net realizable value is the sale price estimated in the normal course of the business, less the estimated costs necessary to conduct it, as well as in case of raw materials and the products in progress, the estimated costs necessary to complete their production.

f) Net assets

The issue costs of new shares or options are reflected directly against the net assets as minor reserves. In the case of acquisition of the Company's own shares, the consideration paid, including any directly attributable incremental cost is deducted from the net assets until canceled, reissued or disposed of. When these shares are sold or reissued subsequently, any consideration received, net of any incremental costs directly attributable to the transaction, is included in net assets.

As on December 30, 2014, the Company has formalized a participative loan of value 15 million euros with a Group company by modifying a credit line granted in the previous financial years (Note 2.e). Similarly, as on30 March 2013 the Company has formalized another participative loan of value 15 million euros with a Group company. As indicated in the consultation 2 of the BOICAC 54, the said loan will be taken in to account in the quantification of the book value of assets to the effects of capital reduction and dissolution of companies envisaged in the mercantile legislation (Notes 11 and 14).

g) Financial liabilities

Financial liabilities are those debits and payables that the Company has and that have originated from the purchase of goods and services in the ordinary course of business of the company, or those without having a commercial origin, cannot be considered as derivative financial instruments.

The debits and payables are valued initially at the fair value of the compensation received, adjusted by the directly attributable transaction costs. Subsequently, the said liabilities are valued according to their amortized cost.

Not withstanding the above, the debits by commercial operations with expiry not more than one year and those which do not have any type of contractual interest are valued, initially as well as subsequently, by their face value when the effect of not updating the cash flows is not significant.

h) Tax on profits

Income or expenditure by Tax on profits is the part relative to the income or expenditure by the current tax and the part corresponding to the income or expenditure by deferred tax.

Current tax is the amount payable by the Company as a consequence of the income tax settlements relative to a financial year. The deductions and other fiscal advantages in the quantum of tax, excluding the retentions and pre-payments, as well as the tax loss carryforwards of the previous financial years actually applied in the current year, lead to a reduction in the amount of the current tax.

The income or expenditure by deferred tax corresponds to the recognition and derecognition of the assets and liabilities by deferred tax. These include the temporary differences that are identified as those amounts that are expected as payable or recoverable arising from the differences between the book values of the assets and liabilities and their tax value, as well as the outstanding negative tax bases and credits by tax deductions not applied for tax purposes. These amounts are applied to the temporary difference or credit which corresponds to the tax rate expected to be recovered or settled.

Liabilities by deferred taxes are recognized for all temporary taxable differences, except those derivatives of the initial recognition of commercial funds or of other assets and liabilities in an operation that affects neither the fiscal result nor the accounting result and is not a business combination.

On its part, the assets by deferred taxes are recognized only to the extent in which it is considered as probable that in the next 10 financial years the Company will have future tax profits against which it will be possible to utilize them.

The assets and liabilities by deferred taxes arising from operations charged or credited directly to the equity accounts are recognized also with counter entry in net assets.

In each account closing the recognized deferred tax assets are reassessed, making necessary corrections to the extent in which there are doubts about their future recovery. Also, at each closing the deferred tax assets non-recognized in the balance sheet are evaluated and these are recognized to the extent in which their recovery becomes probable against future taxable profits.

I) Employee benefits

Termination benefits

Termination benefits are paid to the employees as consequence of the decision of the Company for canceling their employment contract before the normal age of retirement or when the employee decides to resign voluntarily in exchange for these benefits. The Company recognizes these benefits when it has demonstrably committed to terminate the employment of workers according to a detailed formal plan without the possibility of withdrawal or to give termination benefits as a result of an offer to encourage a voluntary resignation. The benefits that are not going to be paid within twelve months following the date of the balance sheet are deducted at their actual value (Note 12.c).

Bonus

The Company recognizes a liability and an expense for bonus based on the formulae that take in to account the grade of fulfillment of the qualitative and quantitative objectives fixed for the employees with right to bonus. The Company recognizes a provision when it is contractually binding or when the past practice has created an implicit obligation. As on March 31, 2016 the Company has not recorded any amount under this head as the conditions for this did not exist.

j) Provisions and contingent liabilities

The Management of the Company in the preparation of the annual accounts differentiates between:

a) Provisions: credit balances that cover the present obligations arising from past events the settlement of which is probable, which causes an outflow of resources, but there is uncertainty about its amount and/or timing of settlement.

b) Contingent liabilities: possible obligations arising from past events, the future materialization of which is contingent up on the occurrence or otherwise of one or more independent future events beyond the control of the Company.

The annual accounts include all the provisions with regard to which it is estimated that the probability of having to meet the obligation is greater than the opposite. Unless they are considered to be remote, the contingent liabilities are not recognized in the annual accounts but are disclosed in the Notes of the Report.

The provisions are valued by the current value of the best possible estimation of the amount required to settle or transfer the obligation, taking in to account the available information about the event and its consequences, and reporting any adjustments arising from the updating of the said provisions as a financial expense on accrual basis.

The compensation receivable from a third party at the time of settling the obligation, provided that there are no doubts that the said refund will be received, are recorded as an asset, except when there is a legal bond by which part of the risk is externalized, and by virtue of which the Company is not liable to respond; in this situation, the compensation will be taken in to account for estimating the amount, which, if any, will represent the corresponding provision.

k) Recognition of income

Incomes are recognized at the fair value of the compensation receivable and represent the amounts receivable for the goods supplied and services provided in the normal course of the business of the Company, less the returns, reductions, discounts and VAT.

The Company recognizes the income when its amount can be valued reliably, when it is probable that future economic benefits will flow to the Company and when the specific conditions for each of the activities as detailed below are fulfilled. It is not considered possible to value the amount of income reliably until all the contingencies related to the sale have been resolved. The Company bases its estimations on historical results, taking in to consideration the type of client, the type of transaction and the specific terms of each agreement.

Sale of goods

The Company manufactures and sells steel products. The recognition of the income from sales takes place at the moment when the significant risks and benefits inherent in the ownership of the sold good are transferred to the buyer, neither maintaining the current management over the said good, nor retaining the effective control over it.

The sales are recognized depending on the price fixed in the contract or sale agreement, net of the volume discounts and returns estimated to the date of the sale. The volume discounts, if any, are evaluated in terms of the estimated annual purchases. It is assumed that there is no financing component, since the sales are realized with an average payment in line with the market practice.

Service providing

The Company provides contract manufacturing services of certain processes (cutting, stripping, etc) on products owned by clients. These services are provided normally on the basis of a specific date and material for periods ranging from 1 to 3 months.

The income derived from these services is recognized by the same criteria as the sale of goods because: i) it is considered that the service has been provided with the delivery of the processed material to the client: ii) the time for providing the service is very short.

Income from interests

The interests received from financial assets are recognized using the effective interest rate method and the dividends- when the shareholder’s right to receive them is declared. In any case, the interests and dividends from financial assets accrued after the date of acquisition are recognized as income in the profit and loss account.

l) Leases

Operative lease

The expenses derived from the operative lease agreements are charged to the profit and loss account in the financial year in which they are earned.

Any receipt or payment that could have been made for contracting an operative lease is treated as an advance receipt or payment charged to income spread over the lease period, as the benefits of the leased assets are transferred or received.

m) Transactions in currency other than euro

The functional currency used by the Company is the euro. Consequently, the operations in currencies other than euro are considered to be denominated in foreign currency and are recorded according to the current exchange rates in force on the dates of the transactions.

At the close of the financial year, the monetary assets and liabilities denominated in foreign currency are converted applying the exchange rate in force on the date of the balance sheet. The profits or losses made are charged directly to the profit and loss account of the financial year in which they take place.

The Company has realized practically the whole of the transactions in euros.

n) Transactions between related parties

The Company conducts all its transactions with related parties at market values. Additionally, transfer prices are adequately supported so that the Management of the Company considers that no significant risks exist in this connection that might give rise to significant liabilities in the future (see Note 14).

ñ) Classification of assets and liabilities into current and non- current

Current assets are considered those related to the normal operating cycle, which generally is considered a year, and also those assets whose maturity, disposal or realization is expected to occur in the short term from the closing date of the financial year, the financial assets held for trading, with the exception of financial derivatives whose settlement period is more than a year and cash and other equivalent liquid cash assets. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are those related to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period exceeds one year and in general all obligations whose expiry or extinction will occur in the short term. Otherwise, they are classified as non-current.

o) The state of cash flows

In the statement of cash flows prepared in accordance with the indirect method, the following expressions are used in the following meanings:

- Cash flows: inflows and outflows of cash and its equivalents, which mean high liquidity short-term investments without significant risk of changes in value.

- Operating activities: activities typical of the Company as well as other activities that cannot be classified as investing or financing activities.

- Investing activities: activities of acquisition, sale or other disposal of long-term assets and other investments not included in cash and their equivalents.

- Financing activities: activities that result in changes in the size and composition of the net assets and liabilities that are not part of operating activities.

p) Cash and other equivalent liquid assets

This head includes cash in hand, current accounts in banks and if applicable, temporary deposits and acquisitions of assets that meet all the following requirements (Note 10):

- They are convertible into cash
- At the time of acquisition their maturity was not more than three months
- They are not subject to a significant risk of change in value
- They form part of the standard cash management policy of the Company.

5 Tangible Fixed assets

The details and movement of the items included in tangible fixed assets during the financial years 2016 and 2015 are as follows:

Financial year 2016

	Thousand euros				
	Initial balance	Additions/ (Provisions)	Transfers	Drop	Final balance
Cost:					
Land	3,276	-	-	-	3,276
Buildings/Constructions	6,337	-	-	-	6,337
Technical installations and other fixed assets	19,115	337	81	(361)	19,172
Fixed assets current and advances	188	78	(81)	-	185
Total cost	**28,916**	**415**	**-**	**(361)**	**28,970**
Depreciations					
Buildings/Constructions	(2,906)	(282)	-	-	(3,188)
Technical installations and other fixed assets	(16,244)	(1,048)	-	360	(16,932)
Total Depreciations	**(19,150)**	**(1,330)**		**360**	**(20,120)**
Deterioration					
Technical installations and other fixed assets	(521)	-	-	-	(521)
Total deterioration	**(521)**	**-**	**-**	**-**	**(521)**
Net total	**9,245**				**8,329**

Financial year 2015

	Thousand euros		
	Initial balance	Additions/ (Provisions)	Final balance
Cost:			
Land	3,276	-	3,276
Buildings/Constructions	6,337	-	6,337
Technical installations and other fixed assets	19,056	59	19,115
Fixed assets current and advances	107	81	188
Total cost	**28,776**	**140**	**28,916**
Depreciations			
Buildings/Constructions	(2,624)	(282)	(2,906)
Technical installations and other fixed assets	(14,884)	(1,360)	(16,244)
Total Depreciations	**(17,508)**	**(1,642)**	**(19,150)**
Deterioration			
Technical installations and other fixed assets	(521)	-	(521)
Total deterioration	**(521)**		**(521)**
Net total	**10,747**		**9,245**

The main additions in FY 2016 correspond to renovations and improvements in the furniture amounting to 89 thousand euros, data processing equipment amounting to 82 thousand euros, machinery amounting to 53 thousand euros and tools amounting to 112 thousand euros.

Drops are mainly due to the retiring of the fully depreciated items amounting to 360 thousand euros. Additionally, the Company has proceeded with the sale of machinery with a net book value of 1 thousand euros, which has led to a result of 24 million euros recorded under the head “Deterioration and profit/loss by disposal of the fixed assets- Profit/loss by disposal and others" of the attached Profit and loss account of FY 2016.

As on March 31, 2016 and March 31, 2015 the balance sheet includes items with an original cost of 11,648 thousand and 6,891thousand euros respectively and approximately, which are fully amortized but still in use.

At the close of the financial year 2016 the Company has no firm purchase commitments for investment. Similarly, as on December 31, 2016 the Company has no investments in tangible fixed assets located abroad. Out of the tangible fixed assets of the Company at the close of the financial years 2016 and 2015, there are no significant assets not directly involved with the operation. The Company has no tangible fixed assets with liens or encumbrances as on March 31, 2016.

It is the policy of the Company to take insurance policies to cover the possible risks to which the various elements of its tangible fixed assets are subjected. At the close of the financial year 2016 there was no deficiency in the coverage related to the said risks with regard to the book value.

Under the head "Current liabilities" of the attached balance sheets as on March 31, 2016 and 2015 amounts of 214 and 156 thousand euros respectively are recognized for the amounts payable to suppliers of fixed assets.

6. Leases

Operative leases - Company as tenant

At the close of the financial years 2016 and 2015 the Company has contracted with lessors the following minimum lease payments in accordance with current contracts in force, without taking in to account the repercussion of common expenses, future increases of CPI or future revision of the contractually agreed rent (in thousands of euros):

Operative leases Minimal quotas	**Face value**	
	2016	**2015**
Less than one year	203	208
Between one and five years	230	401
Total	**433**	**609**

The expenditure recognized in the profit and loss account during the financial year corresponding to operative leases increased to 229 thousandsand 258 thousand euros in 2016 and 2015 respectively and approximately (Note 12.d).

The Company has rented various items of fixed assets (mainly company vehicles) under non-cancellable operative lease contracts. These contracts have a tenure between 3 and 5 years, most of which being renewable on expiry in market conditions.

7. Loans and receivables

Details of the short term loans and other receivables of the Company as on March 31, 2016 and 2015 are as follows:

	Thousand euros	
	31.03.16	**31.03.15**
Short term Loans and receivables		
Clients by sales and services provided (Notes 4.d and 14)	13,989	18,585
Clients group companies and partners (Note 14)	24	11
Personnel	-	2
Valuation corrections for deterioration	(409)	(374)
	13,604	**18,224**

The fair value of loans and receivables is equivalent to their carrying amount.

Accounts receivable due in less than three months have not suffered any value depreciation. As on 31 March, 2016 and 2015 respectively, apart from the balances that have deterioration, other receivables amounting to 97 and 349 thousand euros respectively had expired, of which 38 and 292 thousand euros correspond to expirations in the month of March, although they had not suffered a deterioration loss. These accounts correspond to a number of independent clients on whom there is no recent history of default. The age analysis of these accounts is as follows:

	Thousand euros	
	31.03.16	31.03.15
Up to 3 months	76	341
More than 3 months	21	8
	97	**349**

The book values of the loans and other receivables are given in euros since the Company does not operate out of the Euro zone.

The movement of the valuation corrections for deterioration of the other receivables from clients is as follows:

	Thousand euros
Balance 01.04.14	**373**
Deterioration of the value of receivable accounts	1
Balance 31.03.15	**374**
Deterioration of the value of receivable accounts	35
Balance 31.03.16	**409**

The recognition and the reversion of the valuation corrections for deterioration of the other receivables from clients are included under head "Losses, deterioration and change of provisions for commercial operations" of the Profit and loss account. Normally the amounts charged to the value deterioration account are writtenoff when there is no expectation of recovering the deteriorated amount.

The rest of the accounts included under "Loans and receivables" have not suffered deterioration of value.

The maximum exposure to credit risk on the date of presentation of the information is the fair value of each of the categories of receivables mentioned above. The Company has a credit insurance policy with domestic and foreign coverage.

Note 14 gives information about the outstanding receivables from clients at the close of the financial years 2016 and 2015 and which had been written off from the balancesheet for having been sold through factoring without recourse.

Information about the nature and level of risk of the financial instruments

Financial risk management of the Company is centralized in the Financial Department, which together with the Treasury Department of the TATA Steel Group has set up necessary mechanisms for controlling the exposure to the fluctuations in interest rates and exchange rates, as well as to the credit and liquidity risks. The main financial risks affecting the Company are as follows:

a) Credit risk

The credit risk arises from the receivable accounts of the clients, including outstanding receivables and compromised transactions. The credit control evaluates the credit quality of the client, taking into account his financial position, past experience and other factors.

The Group's policy is to ensure all the sales, both domestic and abroad, when it is possible. Till the close of the financial year 2015 the Company was in charge of the management and contracting of credit insurance policy. However, from financial year 2014, it is changed and this function is centralized with the head of the Group. Individual credit limits are fixed according to the ratings assigned by the insurance company and possibly by internal evaluations.

Utilization of credit limits is monitored regularly. In case the credit limits fixed are exceeded the Company has a procedure for approving the exceeded limits depending on the amount.

The table below shows the global credit limits and its correspondence with the balances receivable as on the date of the balance sheet (thousand euros):

31.03.16		31.03.15	
Credit limit	Balance (*)	Credit limit	Balance (*)
75,941	13,604	76,577	18,221

(*) *Including accounts payable factorized by the amount of 10 and 13 million euros respectively (Notes 4.d and 14).*

During the Financial years 2016 and 2015, the insolvency coverage amounted to 95 % of the account receivables affected. The Group has a continuous policy of risks updating with the insurance company, and also of authorization and monitoring of the transactions for amounts higher than the limits fixed individually for each client. The Management does not expect any losses caused by a violation of any of the accounts receivable indicated.

b) Liquidity risk

The Company has a credit line provided by the Group for financing its cash requirements (Note 14).

Pursuant to instructions received from the Group, the Company is required to be financed through credit lines and other contracts of a financial nature (Notes 4.d and 14) from the Group itself. It is for this reason that it has different provisions of credit for covering the cash needs and can return them when there are surplus cash or if required extend those lines. With this system the liquidity risk is covered.

c) Market risk

(i) Exchange rate risk

There is no exchange rate risk because practically all the transactions are made in euros.

(ii) Interest rate risk of the cash flows and fair value

The interest rate risk management is centralized with the Management of the TATA Steel Group (Note 1) which has set up the necessary mechanisms for controlling the exposure to the fluctuations in the interest rate. The Company finances its operations and investments with loans and credit lines granted by a Group company (Note 14) the interest rate of which is indexed to market indexes. The Company, according to the Group policy, cannot contract operations of derivatives of interest rate.

d) Credit quality of financial assets

The Company has been working for the last 20 years with a group of about 300 clients. During a normal financial year there can be high and low movements of about 25 clients. The Company has focused on a single client for 11% of sales.

None of the financial assets pending expiration has been renegotiated during the financial year.

8. Stocks

The details of the stock of the Company referred to the financial years ended on March 31, 2016 and 2015 is as follows (in thousand euros):

	31.03.16	31.03.15
Raw materials and other supplies	5,854	7,549
Spare parts and consumables	1,615	1,720
Products in progress and semi finished	3,335	4,937
Finished products	2,720	3,217
Provisions	(730)	(633)
Total	**12,794**	**16,790**

The movement of the valuation corrections for deterioration under the head "Stocks" of the attached balance sheet as on March 31, 2016 and 2015 are as follows (in thousand euros):

	31.03.16	31.03.15
Initial balance	**(633)**	**(610)**
Provision / reversal raw materials	(41)	5
Provision/ reversal spare parts and consumables	(56)	(28)
Final balance	**(730)**	**(633)**

The Company has contracted several insurance policies to cover the risks to which the stocks are subjected. The coverage of these insurance policies is considered sufficient.

As on March 31, 2016 there are firm purchase commitments of stocks in Group companies for an amount of 16 million euros approximately as well as 5 million euros approximately outside the Group (22 million and 4 million euros respectively as on March 31, 2015).

As on March 31, 2016 and 2015 the Company has an inventory of spare parts for the machinery and installations and consumables for a gross value of 1,615 thousand and 1,720 thousand euros respectively (1,077 thousand and 1,238 thousand euros, respectively, net of provisions for deterioration). The provision for deterioration of value of this store is set in individualized form according to the gross value of the inventory for correlating the said depreciation with the inventory volume of each financial year.

The movement of the said inventory of spare parts during the financial years 2016 and 2015 is as follows:

	Thousand euros
Balance 01.04.14	**1,110**
Variation of stocks	128
Balance 31.03.15	**1,238**
Variation of stocks	(161)
Balance 31.03.16	**1,077**

9. Short term financial investments

As onMarch 30, 2016 by the Extraordinary General Meeting of Partners the Sole Partner, British Steel Netharland International B.V (Note 11), has approved a nonrefundable monetary contribution amounting to 40 million euros in order to offset the negative results recorded by the Company in previous years. As a consequence of that decision as on March 31, 2016 the Company has applied the full amount of the nonrefundable monetary contribution, which was pending disbursement at year end, against the heading "Negative results from previous years".

As onApril 20, 2016 the said nonrefundable monetary contribution has been fully disbursed.

10. Cash and other equivalent liquid assets

Cash is composed of current accounts in financial entities, which earn market rate of interest applicable to this type of accounts. There is no restriction to the availability of the said deposits.

11. Equity Funds

a) Capital

The value as on March 31, 2016 and 2015 is as follows (thousand euros):

	31.03.16	31.03.15
Registered capital	5,000	5,000

The subscribed capital as on March 31, 2016 and 2015 consists of 5,000,000 equity shares of face value 1 euro each, fully subscribed and paid up. British Steel Netherland International, B.V., a company of Dutch nationality, is the holder of 100 % shares of the Company (Note 1).

According the Revised text of Capital Companies Act, the Company is registered in the Companies Register as an Single share holder company.

b) Reserves

Voluntary Reserves

As on March 31, 2016 and 2015 the voluntary reserves are 19,146 thousand euros.

Legal reserve

According the Capital Companies Act, the limited liability company must earmark an amount equal to 10 % of the year's profit to the legal reserve till it reaches at least 20 % of the share capital. The legal reserve can only be used to increase the share capital. Except for the aforesaid purpose, until it exceeds 20% of share capital, this reserve can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

As on March 31, 2016 and 2015 the Company has not constituted the said legal reserve.

c) Financial position

The Revised text of Capital Companies Act, Article 363 lays down the net assets going below half of the share capital as one of the causes of dissolution unless it is increased or decreased sufficiently.

In this sense, and according to the provisions of the Act 16/2007 of July 4, the Company has taken in to account two equity loans of amounts 15 million euros each granted on March 30, 2013 and December 30, 2014 by TATA Steel Group UK Ltd., in order to calculate the net computable equity. These loans have their expiration on March 30, 2023 and December 30, 2024 (Note 14).

Thus, the net computable assets to the effects of the said Capital Companies Act, article 363 is as given below:

	Thousand euros
Net assets at the close of the financial year Plus equity loan (Note 14)	11,622 30,000
Net assets as on March 31, 2016 for the calculation of the provision of article 363 of the C.C.A	41,622
Share capital	5,000
Coverage	**832%**

Consequently, in opinion of the Management of the Company, as on March 31, 2016 it is not in a situation of equity imbalance, with no doubt on its part about the provision of additional funds on the part of the Group in the event it becomes necessary, as was done in this financial year and in previous financial years (Note 2.e).

12. Income and expenditure

a) Net amount of turnover

The net amount of the turnover corresponding to the normal activities of the Company is distributed geographically as follows:

Market	Financial year 2016	Financial year 2015
	%	%
Spain	88	88
France	5	7
Italy	3	2
Others (European Union)	3	3
Rest of the world	1	-
	100	100

Equally, the net amount of the turnover can be analyzed by product line as follows:

Line	Financial year 2016	Financial year 2015
	%	%
Cold Lamination	22	21
Service Center	74	74
Scrap	2	2
Others	2	3
	100	100

b) Consumption of goods, raw materials and other consumables

Details of the amount recorded under head "Consumption of raw materials and other consumables" during the financial years 2016 and 2015 are as follows (in thousand euros) (Note 14):

	Financial year 2016	Financial year 2015
Purchase of raw materials	85,930	98,168
Purchase of other supplies	1,916	2,197
Change in stock (Note 8)	1,800	(2,656)
	89,646	**97,709**

Source-wise details of the purchases made by the Company during the financial years 2016 and 2015 are as follows (in thousand euros):

Market	Financial year 2016	Financial year 2015
	%	%
Spain	13	16
European Union	87	84
	100	**100**

c) Personnel

The breakdown of the more significant balances under head “Staff costs" of the financial years 2016 and 2015 is as follows:

Item	Thousand euros	
	2016	2015
Salaries and wages	5,684	5,140
Social Security	1,566	1,458
Others	72	61
Total	**7,322**	**6,659**

The average number of employees in the course of the financial year distributed by categories is as follows:

	Financial year 2016	Financial year 2015
Adviser / Manager	1	1
Managers	6	5
Employees	136	136
	143	**141**

Also, the gender distribution of the staff of the Company at the close of the financial year is as follows:

	Financial year 2016			Financial year 2015		
	Male	Female	Total	Male	Female	Total
Adviser / Manager	1	-	1	1	-	1
Managers	6	-	6	5	-	5
Employees	120	16	136	119	16	135
	127	**16**	**143**	**125**	**16**	**141**

d) Outsourcing

The breakdown of the most significant balances under head "outsourcing" for the financial years 2016 and 2015 attached is as follows (in thousand euros):

	2016	2015
Rent and fees (Note 6)	229	258
Repairs and maintenance	1,837	1,707
Independent professional services	182	282
Transport costs	3,414	3,058
Advertising	10	16
Insurance premiums	185	276
Supplies	1,300	1,387
Other services	1,654	1,423
	8,811	**8,407**

The head "Other services" mainly reflects the management fees invoiced by the group that have amounted to 1,340 thousand euros (1,122 thousand euros in the financial year 2015) (Note 14).

13. Fiscal situation

a) Breakdown of balances with the Public administrations

Details of the balances related to fiscal assets and liabilities as on March 31, 2016 and 2015 is as follows (in thousand euros):

	2016	2015
Other debts with the Public administrations		
- Public funds by IRPF (Personal Income Tax)	86	65
- Social Security Organizations	154	144
- Public funds by VAT	1,266	1,630
- Other items	40	64
Total credit balances	**1,546**	**1,903**

b) Reconciliation of accounting profit and taxable income

Reconciliation of profit for financial years 2016 and 2015 with taxable income for corporate income tax, calculated pursuant to Provincial Law 11/2013 of 5 December, regarding corporate tax of the Historical Territory of Bizkaia, which governs the Company, is as follows (in thousands of euros):

Financial year 2016

	Total
Accounting result before taxes - (Loss)	(4,979)
Permanent differences	2,288
Temporary differences	-
Fiscal tax base	**(2,691)**

Financial year 2015

	Total
Accounting result before taxes - (Loss)	(4,829)
Permanent differences	1,909
Temporary differences	(50)
Fiscal tax base	**(2,968)**

Permanent differences originated mainly from the non-deductibility of the financial expenditure generated by the intra-group financing received by the Company (Note 14), inasmuch as, as determined by Article 47 of Provincial Law 11/2013 of December 5 regarding corporate tax, the net debt paid to a related entity (whenever in excess of 10 million euros) exceeds the result of applying a coefficient of 3 to the amount of its net assets for tax purposes and, accordingly, the said financial interests should be considered as dividends for tax purposes.

The taxable income of FY 2015 presented in the final tax declaration of Companies differs from the one approved in the annual accounts of the said financial year because of the inclusion of 563 thousad euros of financial expenses as permenant differences.

Temporary differences originated from the different accounting and tax criteria existing in relation to the value corrections for deterioration of accounts receivable.

c) Reconciliation of accounting results and current tax expense

The reconciliation between the accounting results and corporate income tax expense is as follows (in thousands of euros):

	Financial year 2016	Financial year 2015
Accounting result before taxes	(4,979)	(4,827)
Permanent differences	2,288	1,909
Temporary differences	-	(50)
Quota at 28%	(753)	(831)
Negative tax base of the financial year not activated	753	831
Total expense for tax recognized in the Profit and loss account	**-**	**-**

Taxable income for 2015 reflected in the final declaration of Corporate tax differs from the approved annual accounts of the said year bcause of the inclusion of financial expenses amounting to 563 thousand euros as permenant differences.

d) Assets by deferred tax recorded

In the financial year closed on March 31, 2016 the Company has regularized with charge to the initial balance of head "Negative results of previous financial years" an amount of 5,717 thousand euros as assets by deffered tax as there was no evidence of recoverability of the same and the Sole Adminstrator considering that the said situation originated from the previous financial years (Note 2.h).

e) Assets by deferred tax not recorded

The assets by taxes deferred by negative tax bases pending settlement and deductions pending application are recognized to the extent in which it is probable that the Company obtains future fiscal profits that allow its application. As on March 31, 2016 the Company has the following fiscal credits and assets by deferred tax not recognized in balance sheet and generated from FY 2007, as detailed below (in thousand euros):

Item	31.03.16
Deductions pending application	2,904
Negative tax bases	22,584
Total assets by deferred tax not recorded	**25,488**

f) Financial years pending verification and tax audits

According to the current legislation, taxes cannot be considered as finally settled until the declarations submitted are inspected by the tax authorities or until the expiry of the prescribed term of four years.

As on March 31, 2016, the Company has the financial years 2012 and subsequent years open to inspection in respect of corporate income tax and the last four financial years for other taxes that are applicable. Management of the Company considers that the settlement of the said taxes have been appropriately settled, so that even if discrepancies arise in the interpretation of the rules in force applicable to the tax treatment given to operations, the possible resulting liabilities, should they materialize, will not significantly affect the annual accounts attached.

14. Transactions with related parties

The Company conducts transactions and maintains significant balances with TATA Group companies to which it belongs (Note 1), under the conditions established between the parties. The transactions made with such companies during the financial years ended on March 31, 2016 and 2015 are as follows (in thousand euros):

Financial year 2016

	Sales	Providing services	Purchases	Receiving services (Note 12.d)	Financial interests
Group companies Tata Steel IJmuiden BV	-	-	44,607	-	-
Inter Metal Distribution SAS	29	-	-	-	-
Unitol, S.A.S.	145	-	153	-	-
Tata Steel UK Ltd.	1	-	29,035	482	1,809
Tata Steel Europe Distribution BV	-	28	-	817	-
Tata Steel-Service Centre Maastricht BV	-	-	45	-	-
Cogent Surahammars Bruks AB	-	-	63	-	-
Tata Steel Nederland Services BV	-	-	-	31	-
Degels GmbH	-	-	31	-	-
Tata Steel Belgium Services NV	-	-	-	10	-
Tata SteelSpeciality Steels Suzhou Co. Ltd	20	-	-	-	-
Proco Issuer Pvt Ltd. (Note 4.d)	-	76	-	-	530
Total	**195**	**104**	**73,934**	**1,340**	**2,339**

Financial year 2015

	Sales	Providing services	Purchases	Receiving services (Note 12.d)	Financial interests
Group companies Tata Steel IJmuiden BV	3	-	47,253	-	-
Service Centre Gelsenkirchen GmbH	-	-	235	-	-
Inter Metal Distribution SAS	130	-	-	-	-
Unitol, S.A.S.	152	-	157	-	-
Proco Issuer Pvt Ltd. (Nota 4.d)	-	87	-	-	650
Tata Steel UK Ltd.	4	-	30,679	366	1,855
Tata Steel Europe Distribution BV	-	-	-	756	-
Tata Steel-Service Centre Maastricht BV	-	-	19	-	-
Cogent Surahammars Bruks AB	-	-	15	-	-
Tata Steel International (Asia) Ltd	16	-	-	-	-
Total	**305**	**87**	**78,358**	**1,122**	**2,505**

The goods are sold on the basis of the current price-lists applicable to unrelated third parties.

The purchase of goods from the group refers mainly to purchases of steel. The reception of services is the allocation of "management fees" for the central services received from the TATA Group pursuant to the contract signed between the parties, which specifies the services provided and the form of aftereffect of the costs during the financial year 2016. There are no contracts signed by the Company with its Sole Partner.

Also, the pending balances with group companies and partners as on December 31, 2016 and 2015 are as follows (in thousand euros):

Financial year 2016

	Other short-term financial acivities	Clients	Long-term debts (Note 11)	Short-term debts (Note 11)	Suppliers
Group companies					
Tata Steel IJmuiden BV	-	-	-	-	4,146
Tata Steel Nederland Services BV	-	-	-	-	3
Tata Steel Belgium Services NV	-	-	-	-	27
Tata Steel-Service Centre Maastricht BV	-	-	-	-	18
Unitol, S.A.S.	-	23	-	-	1
Tata Steel UK Ltd.	-	1	30,000	21,000	2,303
Tata Steel International Germany Gmbh	-	-	-	-	21
Tata Steel International Poland	-	-	-	-	2
British Steel Nederland International BV	40,000	-	-	-	-
Total	**40,000**	**24**	**30,000**	**21,000**	**6,521**

Financial year 2015

	Clients	Long-term debts (Note 11)	Short-term debts (Note 11)	Suppliers
Group companies				
Tata Steel IJmuiden BV	3	-	-	7,909
Tata Steel Nederland Services BV	-	-	-	11
Tata Steel Belgium Services NV	-	-	-	17
Tata Steel Distribution Europe BV	-	-	-	189
Unitol, S.A.S.	8	-	-	145
Tata Steel UK Ltd.	-	47,000	839	5,007
Tata Steel International Germany Gmbh	-	-	-	4
Tata Steel International SRL	-	-	-	5
Inter Metal Distribution	-	-	-	2
Cogent Surahammars Bruks AB	-	-	-	15
Total	**11**	**47,000**	**839**	**13,304**

The Company resorts to the intragroup financing to cover its working capital requirements. The Company has renewed the credit line with which the Company has been financing its operations, the amount available to it being 28 million euros and agreeing to a repayment period of 18 months.

The Company also has two equity loans of amount 15 millions each. On the one hand on March 30, 2013 the Group converted part of the credit line granted in to equity loan for an amount of 15 million euros with expiration date March 30, 2023, for correcting the equity disbalance originated by the losses of the previous financial years. On the other hand, on December 30, 2014 the Group converted part of the aforesaid credit line in to another equity loan for an amount of 15 million euros with expiration date December 30, 2024 to cover the new equity disbalance. Both the equity loan as well as the different credit lines has been contracted at average interest rate of LIBOR + market spread.

The Company has a credit transfer agreement ("factoring without recourse") signed with the Group company Proco Issuer Pvt. Ltd on March 22, 2012, with which it has settled the balance commercial credits for a total accumulated amount of 35,319 thousand euros through the financial year 2016 (43,273 thousand euros in 2015) (Note 4.d). As on March 31, 2016, accounts receivable from clients pending expiration, which have been factored and therefore dropped from the balance sheet, had an amount of 10,452 thousand euros (12,518 thousand euros at the close of the previous financial year). The financial expenses generated by this figure during the financial year 2016 amount to 530 thousand euros, which have been fully paid. In spite of its financial nature, to the effects of the state of cash flows, the said amount has been considered as an advance payment to clients within the cash flows of the operating activities.

The accounts receivables from related parties arise from sale transactions and have an expiration of 2 months after the date of the sale. The receivables are not insured and do not earn any interest.

The accounts payable to related parties arise from purchase transactions and have anexpiration between 1 and 2 months after the date of purchase. The accounts payable of commercial nature do not earn any interest.

15. Other Information

a) Sureties and guarantees given

As on March 31, 2016 and 2015 the Company has surety of financial entity contracted for the coverage of the guarantees given for an approximate amount of 1,000 euros.

b) Information about the delay in payment made to suppliers. Third Additional provision. "Mandatory information" of the Act 31/2014, of December 3.

Detailed information required by the Second final provision of the Act 31/2014 of December 3, which has been prepared applying the Resolution of the Institute of Accounting and Auditing dated January 29, 2016 adapting to the new requirements mandated by the said Act for the first financial year ended after the Act comes into force is as follows :

	2016
	Days
Mean period of payment to suppliers	57.64
Ratio of transactions paid	58.87
Ratio of transactions pending payment	44.45
	Thousand euros
Total payments made	108.996
Total payments pending	10,159

The information given in the above table about payments to suppliers refers to those which by their nature are Commercial creditors by debts with suppliers of goods and services, in such a way as to include the information regarding "Suppliers", "Suppliers, group companies and partners" and "Sundry creditors" of the current liabilities of the attached balance sheet. Further, pursuant to what is permitted in the First transitory provision of the above said Resolution of the Institute of Accounting and Auditing, for this first year of application of the Resolution, comparative information is not given, qualifying these annual accounts as initial to the exclusive effects in which reference is made to the application of the principle of uniformity and requirement of comparability.

The phrase “Mean period of payment to suppliers” is the expression of time of payment or delay in payment of the commercial debt. The said “Mean period of payment to suppliers” is calculated as the quotient formed in the numerator by the sum of the ratio of the transactions paid by the total sum of the payments made plus the ratio of transactions pending payment by the total amount of pending payments and, in the denominator, by the total amount of payments made and the pending payments.

The ratio of the transactions paid is calculated as as the quotient formed in the numerator by the sum of the products corresponding to the amounts paid, by the number of days of payment (difference between the natural days lapsed from the end of the legal maximum period of payment up to the material payment of operation) and, in the denominator the total amount of payments made.

Similarly, the ratio of transactions pending payment corresponds to the quotient formulated in the numerator by the sum of the products corresponding to the amounts pending payment, by the number of days the payment is overdue (difference between the natural days lapsed from the end of the legal maximum period of payment up to the close of the annual accounts) and, in the denominator the total amount of pending payments.

The legal maximum period of payment applicable to the Company in FY 2016 pursuant to Act 3/2004 of December 29, which stipulates measures to combat delinquency in commercial transactions, and pursuant to the the transitory provisions laid down in the Act 15/2010 of 5th July, is 60 days up to the publication of Act 11/2013 of 26th July and 30 days from the date of publication of the said Act and to date (unless the conditions laid down thereof are met, which permits to increase the said maximum payment period to 60 days)

c) Information about environment

Any operation the main intention of which is minimization of the environmental impact and protection and improvement of the environment is considered as an environmental activity.

The Company has its environmental management system certified as per the norms of ISO 14001:2004, by the firm LLOYDS Register.

The Company has a residual water treatment plant, a gas filtration system in the stripping line, a building for storage of hazardous residues, as well as all the equipment necessary for the prevention of pollution.

During the financial years 2016 and 2015 the Company has made a significant investment in environmental matter. In particular, the Company is in the process of improving the installations for the treatment of water used in the manufacturing process. As on March 31, 2016 the Company is keeping this project on course, which at the close of the financial year is not yet fully completed and made operational (Note 5). In financial year 2014 the Company initiated investments in environmental matter for an amount of 107 thousand euros in this project,

The expenses meant for the protection and improvement of environment recognized directly in the profit and loss account amount to 52 and 103 thousand euros approximately and respectively at the close of the financial years 2016 and 2015.

d) Fees of account auditors

During the financial years ended on March 31, 2016 and 2015 the fees for account audit services amounted to 48 thousand euros having paid no additional fees for other services provided by Deloitte, S.L. or by companies related to the auditor.

e) Sale-purchase commitments

As on the date of the balance sheet, the Company has stock agreements mentioned in Note 8.

f) Information regarding situations of conflict of interests on the part of the members of the Board of Directors.

During the financial year ended on 31 March 2016 the members of the Board of Directors of the Company have not conducted any transactions outside the normal course or in conditions distinct to market, with the Company or with Group companies. Similarly, at the close of FY 2016 the members of the Board of Directors have not maintained relations with other companies which by their business represent a conflict of interest for them or for the Company, nor have they made any communication to the rest of the members of the Board of Directors or to the rest of the Directors in the sense specified in Article 229, any motive by which the present annual accounts do not include any breakdown in this sense.

f) Events subsequent to closure

Except for the disbursement of 40 millions related to the non-refundable cash contribution made by the Sole Partner, British Steel Nederland International, B.V, on April 20, 2016 (Notes 2, 9, 11 and 14), no event subsequent to the closure of the year 2016 has been reported that could be significant and not included herein.

MANAGEMENT REPORT OF ANNUAL ACCOUNTS AS ON MARCH 31, 2016

As it is well known, since 2008 Spain has been going through a crisis, which has affected all the ambits of the economy, although, after the negative changes in the Gross National Product in the last years, it must be mentioned that it has remained at +3.2 % in the first quarter.

The Spanish Government has launched cost-cutting measures to reduce debt over the years 2013, 2014 and 2015, trying to convey confidence to the international markets and the growth forecast this year is one of the best in the European Union.

At Layde Steel, S.L.U. we have reached the volumes budgeted in strategic products. On the other hand, The Company has not been able to pass over the entire the raw material price fluctuations to the sales market, this being one of the main reasons by which negative results have been generated during the current financial year.

The Management of Layde Steel S.L.U. is focusing its strategy in line with the previous years, maintaining the export of Cold lamination and maintaining the Service Centers integrated with Tata Steel Europe, the Group to which it belongs, as creation of iron and steel value.

As has been mentioned above, the business model implemented by Tata Steel Europe will enable an increase in the sales volumes in sectors considered as key at present, thanks to the contracts supported by the head (eliminating the suspense of sale and purchase price changes) between our clients and our suppliers of the Group.

As on the closing date, the Company relies on two equity loans amounting to a total of 30 million euros, with one short term credit line and another line of factoríng without resource, both contracted with companies of the Group to which it belongs.

As on the date of signature British Steel Nederland International B.V., the Sole Partner, has disbursed 40 million euros by way of non-returnable cash contribution to Layde Steel S.L.U.

The Company has maintained an average payment period of 57.64 days during the fiscal year, remaining within the legal framework.

The Company has no activity in the matter of research and development or in procurement of own shares.

Integrated system of Quality, Safety and Health and Environment management:

Layde Steel S.L.U. continuing with its philosophy of continuous improvement obtained certification for its Environmental Management System as per ISO 14001 in the year 2007. This System was integrated with the Quality Management System as per ISO 9001.

In July, 2008 the certification of the Occupational Health and Safety Management System was completed as per the OHSAS 18001 norms, having integrated the three systems in to one single System of Management.

Later, the crisis from the second half of 2008 and the important changes happened within the Group, have forced us to leave the latter certification in suspense, orienting the Health and Safety Management towards the new Occupational Health and Safety Management System of Tata Steel Europe itself, which is audited by the Group’s own team. This norm is even more demanding than the OSHAS 18001 norm.

Nevertheless, the commitment to quality and its management in Layde Steel S.L.U. has driven us to obtaining the automotive certification ISO/TS 16949 in March, 2014. Thus, at present, our Management System integrates Quality, Environment and Occupational Health and Safety, based on norms ISO 9001, ISO 14001: SO/TS 16949 and OHSAS 18001, consolidating the first three certifications, and working on the implementation and continuous improvement of the Health and Safety System of Tata Steel Europe, whose requisites are even more demanding than those of OSHAS 18001.

Durango, June 23, 2016

Layde Steel, S.L.U.

Annual accounts and Management report of the financial year ended on March 31, 2016

The Board of Directors of Layde Steel, S.L.U. on date June 23, 2016 and in compliance with the requirements laid down in Article 253 of the Capital Companies Act, proceeds to prepare the Annual Accounts and the Management report for the financial year ended on March 31, 2016, which consists of the attached documents that precede this statement.

(Signature)
D. Jens Lauber
Chairman of the Board and
Managing Director of
Tata Steel Distribution Europe

(Signature)
D. Thomas Philippe de Butler
Member of the Board

(Signature)
D. Femando Espada Méndez
Member of the Board and
Managing Director, Layde Steel SL.U.

Also, the Member of the Board of Directors certifies that the Annual Accounts and the accompanying Management Report, endorsed by him in all its sheets as a token of identification, are those prepared by the Board of Directors in its meeting of June 23, 2016.

(Signature)
D. Femando Espada Méndez
Member of the Board

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These accounts are a translated version for information purpose only, the original language version prevails in the event of any discrepancies between the English translation and the original.