TATA STEEL

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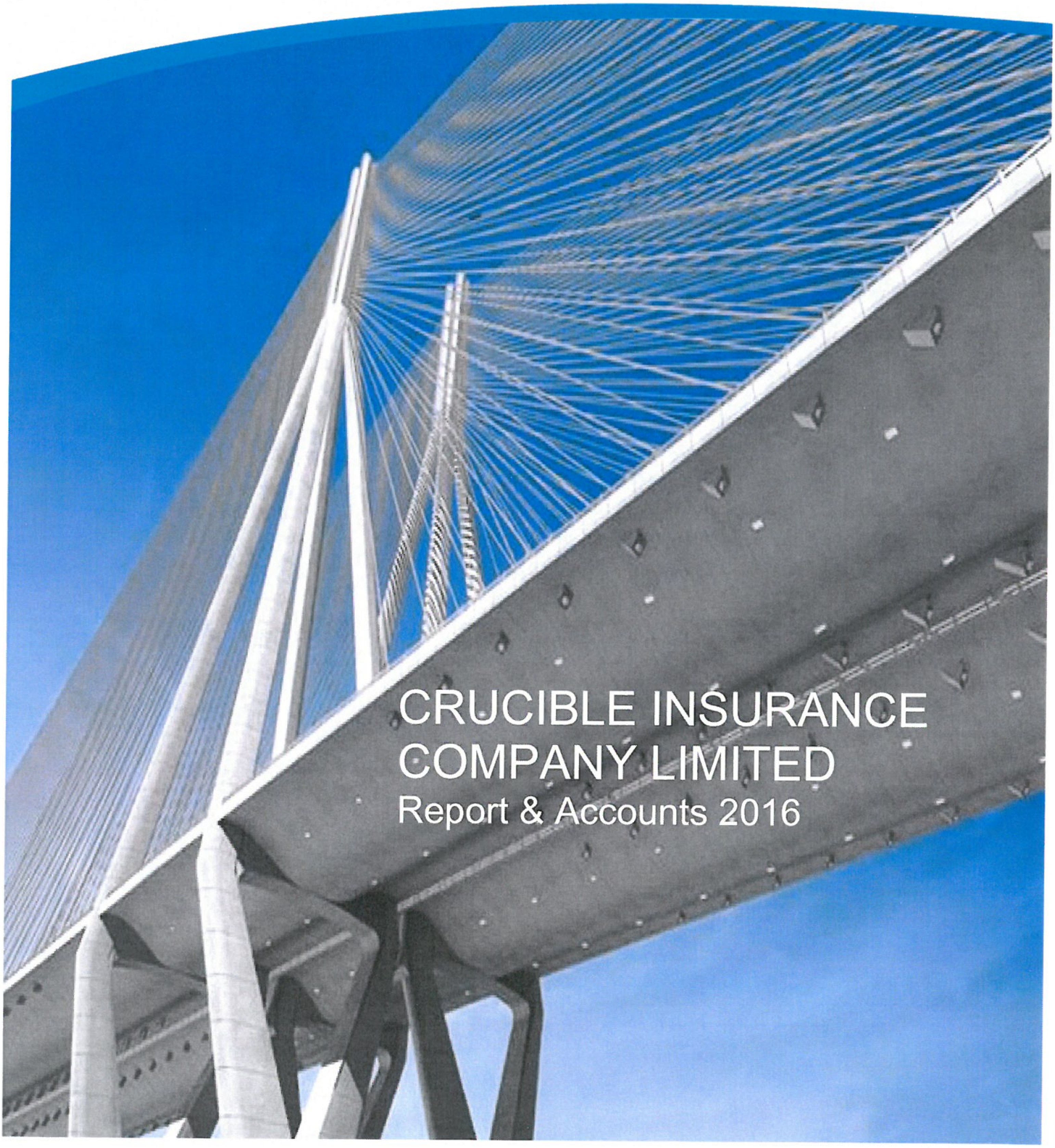

CRUCIBLE INSURANCE COMPANY LIMITED

Report & Accounts 2016

A. Directors and advisors

Directors

J Booth

D A Brown

C Gardner

M Wilson

I M McArdle

Secretary and registered office

Thomas Miller Captive Management Limited
Level 2, Samuel Harris House
5-11 St Georges Street
Douglas
Isle of Man
IM1 1AJ

Company Number

037784C

Auditor

Deloitte LLP
The Old Courthouse
PO Box 250
Athol Street
Douglas
Isle of Man
IM1 1LD

B. Strategic report

Introduction

The Directors have pleasure in presenting the strategic report of Crucible Insurance Company Limited.

Principal activity, review of the business and future developments

The Company is authorized to carry out insurance business in accordance with the Isle of Man Insurance Act 2008, the Insurance Regulations 1986 and the Insurance (Supplementary Information) Regulations 2016. The principal activity throughout the year has been that of an insurance company. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts

Risk Management

The Company is exposed to financial risk through its assets and liabilities. The most significant risks are market risk, insurance risk, credit risk and liquidity risk. The Company has policies and procedures in place to manage these risks.

Market risk is the risk of changes in the financial markets affecting the value of the Company. It is managed by the Company's investment policy, which is monitored by means of reports from the Investment Managers to the Directors at each Board meeting.

Insurance risk is associated with claims on the Company. Exposure is primarily mitigated by a combination of factors, including extremely stringent Tata Steel Europe Limited Health and Safety initiatives with a zero harm focus. The Company exclusively insures Tata entities and consequently controls the risk management culture within the insured entities. The level of risk transfer into Crucible on the Cross Class programme, which is measured by the risk gap, is relatively conservative particularly in the context of net assets. In relation to the deafness liability the Crucible board, via the managers, actively tracks trends in relation to this liability and maintain regular dialogue with the claims handlers. The Company's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Company. Debtor exposure is mitigated because it is contained to entities within the TSL group. This exposure is monitored by means of reports from the Managers to the Directors at each Board meeting.

Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Company as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very tradable instruments to minimise this exposure.

Going concern

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

Future developments and subsequent events

The Company ceased writing insurance on 1 April 2016 but continues to manage the development of the remaining claims for those policy years in which insurance policies were written. This is expected to continue for the foreseeable future.

On 29 March 2016, following a recommendation from Tata Steel Limited ('TSL'), the Company's ultimate shareholder, the Directors of Tata Steel Europe Limited ('TSE') resolved to consider all possible restructuring options including the potential divestment of Tata Steel UK Limited ('TSUK'). This process has started and remains on-going but, pending its conclusion, the outcome of the restructuring or sale remain uncertain.

TSE and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement Co. Pte Limited ('TSGP') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to TSE and its subsidiaries subject to certain restrictions.

Based on the mandate of the ultimate parent of the Company, TSL, on 29 March 2016, the Board of TSE is evaluating all options for TSUK, including the potential divestment. Currently, the process of evaluation of a potential divestment is underway and representatives of TSE are engaged in discussions with the UK and Welsh Government to facilitate the restructuring options. In the absence of a conclusive outcome of the restructuring or sale, there exists a material uncertainty for the future of TSUK. For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the directors of the Company have concluded that it is appropriate to prepare these financial statements for the Company on a going concern basis. However, if TSUK were not a going concern, adjustments might be required to the Company's financial statements, in particular to write down the carrying value of an inter-company loan receivable with TSUK which at 31 March 2016 was £42m.

However, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result from a potential sale or restructuring as it is not practicable to identify or quantify them.

C. Directors report

The Board

The directors of the Company, who served throughout the year, are listed on page 2.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of IOM legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in their exercise of their powers, including any liabilities relating to the defense of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted by them as officers or employees of the company.

Results and dividends

The Company made a loss for the year of £1,649,086 (2015: loss £8,930,018).

For the current year, Financial Reporting Standard 101 ("FRS 101") "Reduced Disclosure Framework" came into effect replacing old Generally Accepted Accounting Practice in the UK ("UK GAAP") and the Statement of Recommended Practice issued by the Association of British Insurers ("the ABI SORP").

On 1 April 2014, the Company transitioned from old UK GAAP to FRS 101 and has taken advantage of the disclosure exemptions allowed under this standard. As detailed in the Basis of Preparation on page 12, the Company's parent undertaking, Corus International (Overseas Holdings) Limited, was notified of and did not object to the disclosure exemptions. As detailed in note 19 there were no material recognition or measurement differences arising on the adoption of FRS 101.

The Company did not pay a dividend during the year (2015: £nil). The directors do not recommend payment of any dividends for the year ended 31 March 2016 and the retained loss for the year has been transferred from reserves (2015: loss transferred from reserves).

Independent Auditors

The auditor, Deloitte LLP, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the Board

Ross Dennett on behalf of
Thomas Miller Captive Management Limited
Secretary
31 May 2016

Level 2, Samuel Harris House
5-11 St Georges Street
Douglas
Isle of Man
IM1 1AJ

D. Directors' responsibilities statement on the Company's financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Isle of Man law and regulations.

Isle of Man company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law), including FRS 101 *'Reduced Disclosure Framework'* and the Isle of Man Companies' Acts 1931 to 2004, as modified by the Insurance Act 2008, the Insurance Regulations 1986 and the Insurance (Supplementary Information) Regulations 2016. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Isle of Man Companies' Acts 1931 to 2004, as modified by the Insurance Act 2008, the Insurance Regulations 1986 and the Insurance (Supplementary Information) Regulations 2016. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

F1. Profit and loss account

For the financial year ended 31 March

	Note	2016 £	2015 £
Insurance premium revenue			
Gross premiums written	1	**6,089,524**	6,051,452
Net insurance premium revenue		**6,089,524**	6,051,452
Claims			
Insurance claims		**(9,935,337)**	(13,281,290)
Movement in outstanding loss reserve and IBNR		**1,311,561**	(3,407,369)
Net insurance claims		**(8,623,777)**	(16,689,259)
Insurance loss		**(2,534,253)**	(10,637,807)
Investment return			
Investment income		**968,747**	1,024,689
Net fair value (losses)/gains on assets at fair value through profit or loss		**(88,772)**	592,726
Discount for loan	7	**241,212**	291,729
		1,121,187	1,909,144
Administration expenses		**(236,020)**	(201,355)
Loss from operations before taxation		**(1,649,086)**	(8,930,018)
Taxation charge		**-**	-
Loss after taxation		**(1,649,086)**	(8,930,018)

All activities relate to continuing activities.

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of other comprehensive income has been presented.

Notes and related statements forming part of these accounts appear on pages 12 to 21.

F2 Balance sheet

	Note	2016 £	2015 £
Investments	3	**36,204,350**	39,359,236
Other assets			
Premiums receivable		**-**	-
Accrued investment income		**203,038**	239,660
Other debtors	4	**307,155**	68,923
Prepayments		**-**	-
Bank balances and cash	5	**62,936**	193,603
Inter-company loan	7	**42,026,951**	42,025,353
		42,600,080	42,527,539
Total assets		**78,804,430**	81,886,775
General business insurance provisions and funds			
Claims (including claims incurred but not reported)	8	**(49,358,713)**	(50,670,275)
Other liabilities			
Other creditors	9	**(229,399)**	(342,450)
Miscellaneous		**(13,504)**	(22,150)
		(242,903)	(364,600)
Net assets		**29,202,814**	30,851,900
Representing:			
Share capital	11	**500,000**	500,000
Share premium account	12	**9,500,000**	9,500,000
Profit and loss account		**19,202,814**	20,851,900
Shareholders' funds		**29,202,814**	30,851,900

The financial statements were approved and authorised for issue by the board of directors on 31 May 2016 and signed on their behalf by:

Colin Gardner David Brown

Crucible Insurance Company Limited

Registered number: 037784C

Notes and related statements forming part of these accounts appear on pages 12 to 21.

F3. Statement of changes in capital and reserves

	Note	Share capital £	Share premium account £	Profit and loss account £	**Total capital & reserves £**
Balance as at 31 March 2015		500,000	9,500,000	20,851,900	**30,851,900**
Total comprehensive loss for the year		-	-	(1,649,086)	**(1,649,086)**
Balance as at 31 March 2016		**500,000**	**9,500,000**	**19,202,814**	**29,202,814**

Balance as at 31 March 2014	500,000	9,500,000	29,781,918	**39,781,918**
Total comprehensive loss for the year	-	-	(8,930,018)	(8,930,018)
Balance as at 31 March 2015	500,000	9,500,000	20,851,900	**30,851,900**

Notes and related statements forming part of these accounts appear on pages 12 to 21.

F4. Presentation of accounts and accounting policies

I. Basis of Preparation

Crucible Insurance Company Limited is a private limited company incorporated in the Isle of Man under the Companies Acts 1931 to 2004. The functional and presentational currency of the Company is sterling.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. FRS 101 'Reduced Disclosure Framework' ('FRS 101') as issued by the Financial Reporting Council becomes effective for accounting periods beginning on or after 1 January 2015. In the year ended 31 March 2016, the Company has undergone transition from reporting under United Kingdom Accounting Standards (UK GAAP) to FRS 101. As such these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' to the extent that they apply to an Isle of Man company and do not conflict with the Insurance Act 2008, the Insurance Regulations 1986 and the Insurance (Supplementary Information) Regulations 2016. The prior year financial statements were restated on adoption of FRS 101 in the current year. For more information on the transition to FRS 101 see note 19.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets (including intangible and tangible assets), presentation of a cash flow statement, standards not yet effective, and related party transactions with Tata Steel group companies. The group accounts of TSE are available to the public and can be obtained as set out in Note 15.

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments and derivatives at fair value.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in the current and prior period.

The Directors are satisfied with the financial position of the Company and believe that the Company is well placed to meet its liabilities as they fall due, despite the current uncertain economic outlook. The Company is operating comfortably within its statutory solvency requirements and it is not dependent on support from group companies. The Directors consider all the assets of the Company to be recoverable including inter-company loans. The Directors believe that there are adequate resources for the Company to continue in operational existence for the foreseeable future and that there are sufficient funds to support the current and planned activities, accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

II. Principal accounting policies

a) Underwriting

Insurance business written by the Company comprises public/products liability, employer's liability, financial loss, professional indemnity, UK motor and personal accident, marine cargo and retrospective deafness. This business is accounted for using the Annual Accounting basis through the profit and loss account. Premiums written and reinsurance premiums ceded are shown gross of commissions, accounted for on an accruals basis and earned on a time apportioned basis.

The Company's claims reserving policy is documented reviewed and agreed by the Board of Directors. The outcome of the review is minuted. Provision has been made for reported claims as at 31 March 2016 and for claims incurred but not reported (IBNR). Although provisions for claims are based upon the information currently available to the Directors, information at each subsequent year end may show that the ultimate liability is less than or in excess of the amount provided. The methods used and estimates made are continually reviewed and any resulting adjustments are reported in the financial year in which they are made. In summary and by class of business, the claims reserving policy is as follows:

I. Marine cargo insurance

Claims provisions are established in accordance with claims bordereaux provided by the fronting insurers. In addition, IBNR provisions are usually maintained for the most recent underwriting years in accordance with the Company's reserving strategy, being equivalent to net earned premium in the first year, 75% of net earned premium for the preceding year and specific provisions for earlier years. This policy has not been renewed since 1 January 2014.

II. Employer's liability, public/products liability and professional indemnity insurance

Claims provisions are established in accordance with claims bordereaux provided by the fronting insurers. In calculating these provisions care is taken to ensure that the occurrence limits and the annual aggregate limits are not exceeded.

III. Retrospective Deafness

Throughout the year to 31 March 2016, the Board of Directors has continued to regularly monitor the level of provision required in respect of the Company's retrospective deafness liability. An appropriate reserving strategy has been approved by the Board, including a methodology for establishing the level of overall provision required. As a result, the overall provision held at 31 March 2016 has decreased to £23,174,000 from £28,318,000 at 31 March 2015. No aggregate limit is in place for retrospective deafness and this, therefore, gives rise to uncertainty about the appropriate level of provision. The provision has been set by reference to claims already received, an estimated number of total possible claims and an estimated average cost of settling those claims. Changes in these estimates may result in the ultimate liability being greater or less than the amount provided.

The bulk of the claims of the captive are handled by Capita. However, during the previous year the Company was made aware that there was a book of claims that QBE insurance (Europe) Limited ("QBE") were handling on behalf of Tata Steel Europe Limited ("TSE"). These claims were not previously notified to the captive as the settlement was between QBE and TSE. As a result, there has been an uplift in the current year provision for the retrospective deafness insurance policy of £3,371,000 (2015:£3,987,000).

IV. Cross class insurance

The Cross Class package covers business previously written under Employer's Liability, Public/products liability, financial loss, professional indemnity, UK motor and UK personal accident.

Retentions are £1m each and every loss of series of losses arising out of one originating cause, limited to £10.75m in the aggregate for the year ended 31 March 2016.

Part of the business under the employer's liability section, the Vibration White Finger ("VWF") cover, is written on a claims made basis. Following the given period of insurance, this cover closes and any claims reported subsequently will attach to a later policy year. The VWF allocated annual reserve is £367,500 (2015: £525,000) for the year ended 31 March 2016.

Due to the aggregate limit representing all four classes of business, an IBNR formula has been agreed that caters for the different classes within the Cross Class policy. The formula is based on actuarial expectations of claim numbers and claim values provided by the primary insurer, the former influenced by exposure and changes to risk strategy and controls, the latter by inflation and legislative developments.

This policy has not been renewed since 1 April 2016.

V. Credit insurance

Historically provisions have been made for specific notified claims. There have been no claims notified in the current year. This policy has not been renewed since 1 January 2007.

b) Commissions and expenses

Commissions on marine cargo business are taken to the profit and loss account on an accruals basis. All expenses are taken directly to the profit and loss account.

c) Investment valuation

Investments are held in portfolios managed by a third party fund manager. Investments are carried at fair value through profit and loss. This is disclosed in more detail in section (e)(i). In the normal course of investing, forward currency contacts are entered into as a means of hedging against adverse movements in exchange rates so as to preserve the value of foreign investments.

d) Investment return

Investment return comprises income from fixed interest securities, certificates of deposit, quoted shares and bank deposits and is accounted for on an accruals basis, along with realised and unrealised capital gains and losses. Investment return also includes income on discounted loan notes, which are recorded at discounted cost with the return accounted for under the effective interest rate method.

e) Financial instruments

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

*I. **Investments***

Investments within the scope of IAS 39 are initially measured at fair value through profit and loss, including transaction expenses. They are classified as either fair value through profit and loss or loans and receivables.

For investments at fair value through profit and loss, gains and losses arising from changes in fair values are recognised directly in the net profit or loss for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, inter-company loan and other debtors fall into this category of financial instrument.

*II. **Financial liabilities***

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

*III. **Derivative financial instruments***

The Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange. The instruments are confined principally to forward currency contracts.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value. For forward currency contracts the fair values are determined based on market forward rates at the end of the reporting period.

Changes in the fair value of derivative financial instruments are recognised immediately in profit and loss.

f) Cash flow statement

Under FRS 101, the company is exempt from the requirement to prepare a cash flow statement.

g) Insurance risk

Insurance risk is associated with claims on the Company. Exposure is primarily mitigated by a combination of factors, including extremely stringent Tata Steel Europe Limited Health and Safety initiatives with a zero harm focus. The Company exclusively insures Tata entities and consequently controls the risk management culture within the insured entities. The level of risk transfer into Crucible on the Cross Class programme, which is measured by the risk gap, is relatively conservative particularly in the context of net assets. In relation to the deafness liability the Crucible board, via the managers, actively tracks trends in relation to this liability and maintain regular dialogue with the claims handlers. The Company's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

h) Credit risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Company. Debtor exposure is mitigated because it is contained to entities within the TSE group. The loan to Tata Steel UK is short-term and subject to strict repayment terms. This exposure is monitored by means of reports from the Managers to the Directors at each Board meeting.

i) Liquidity risk

Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Company as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very tradable instruments to minimise this exposure. (The liquidity risk of the Company is analysed in more detail in note 18).

j) Significant accounting judgements, estimates and assumptions

The following are significant management judgements, estimates and assumptions in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Impairment

An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the Company estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the Company makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

On 29 March 2016, following a recommendation from Tata Steel Limited ('TSL'), the Company's ultimate shareholder, the Directors of Tata Steel Europe Limited ('TSE') resolved to consider all possible restructuring options including the potential divestment of Tata Steel UK Limited ('TSUK'). This process has started and remains on-going but, pending its conclusion, the outcome of the restructuring or sale remain uncertain.

TSE and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement Co. Pte Limited ('TSGP') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to TSE and its subsidiaries subject to certain restrictions.

Based on the mandate of the ultimate parent of the Company, TSL, on 29 March 2016, the Board of TSE is evaluating all options for TSUK, including the potential divestment. Currently, the process of evaluation of a potential divestment is underway and representatives of TSE are engaged in discussions with the UK and Welsh Government to facilitate the restructuring options. In the absence of a conclusive outcome of the restructuring or sale, there exists a material uncertainty for the future of TSUK.

For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the directors of the Company have concluded that it is appropriate to prepare these financial statements for the Company on a going concern basis. However, if TSUK were not a going concern, adjustments might be required to the Company's financial statements, in particular to write down the carrying value of an inter-company loan receivable with TSUK which at 31 March 2016 was £42m.

However, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result from a potential sale or restructuring as it is not practicable to identify or quantify them.

Claims

Provision has been made for claims notified and for claims incurred but not reported at the balance sheet date. Although provisions for claims are based upon the information currently available to the directors, subsequent information and events may show that the ultimate liability is less than, or in excess of, the amount provided. The methods used, and estimates made, are continually reviewed and any resulting adjustments are reported in the general business revenue account in the financial year in which they are made.

F4. Presentation of accounts and accounting policies

Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	2016	2015
	£	£
Listed securities (Level 1)	**36,204,350**	39,359,236
Unlisted securities receivable (Level 2)	**307,155**	68,922
Unlisted securities payable (Level 2)	**(229,399)**	(342,450)
	36,282,106	39,085,708

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Gains or losses recognised in profit or loss for the period are presented under investment return in the profit and loss account.

Changing inputs to level 2 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

There have been no transfers into or out of Levels 2 or 3 in the reporting periods under review.

F5. Notes to the financial statements

For the financial year ended 31 March 2016

1. Gross premiums receivable

	2016	2015
	£	£
Cross class policy	**6,089,524**	6,089,524
Marine cargo insurance	**-**	(38,072)
	6,089,524	6,051,452

The level of the Company's income from the Cross Class ("CC") premiums is primarily determined by three factors (1) number of insured employees (headcount) (2) sales turnover and (3) claims experience. Headcount is representative of the policy exposure for employers liability ("EL"), and revenue represents the standard insurance market practice for gauging public liability ("PL") exposures. The EL and PL elements comprise the main parts of the CC policy. Claims experience, including claims triangulations which are used to track claim settlement patterns are closely monitored by the brokers and the board and are taken into consideration when negotiating an appropriate premium level. In that context, interest rates are also a factor as the settlement patterns, particularly on EL claims which average out at 48 months, will influence the amount of investment income that can be earned on collected premium prior to ultimate claim settlement.

Typically when setting the CC renewal premium each year the board also takes note of suggested benchmark figures provided by the primary insurer, QBE, and the brokers, A J Gallagher. Any reduction in CC premium income would result in a reduction in the profit for the year. For example, had there been a 10% (£608,952) reduction in the level of 2016 CC premium income, there would have been a corresponding increase in the loss for the year to a loss of £2,258,038.

2. Other expenses

	2016	2015
	£	£
Other expenses include:		
Auditors remuneration - audit services	**1,624**	3,991
Directors' remuneration	**19,200**	25,200
	20,824	29,191

3. Investments

As at 31 March	**2016**	2015
	£	£
Investments at fair value through profit and loss:		
Fixed interest securities	**35,700,870**	37,612,479
Other investments	**503,480**	1,746,757
	36,204,350	39,359,236
Loans and receivables	**-**	-
	36,204,350	**39,359,236**

The market value of the Company's investments in bonds may be affected by changes in the prevailing level of interest rates. At the balance sheet date, the investments in bonds had effective interest rates between 0.25% and 5.15% (2015 effective interest rates for bonds between 1.00% and 5.15%).

The risk of changes in interest rates, and other market risks, are managed by the Company's investment policy. The Investment Manager keeps asset allocation under review, adjusting it according to the prevailing interest rates and other changes in the financial markets.

Interest rate risk
Interest rate risk arises primarily from investments in fixed interest securities. The modified duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates. The Company manages this risk through the specific investment guidelines under which the Investment Manager operates. At 31 March, an increase / decrease of 50 basis points in interest yields, with all other variables held constant, profit for the year would have been £39,018 lower / higher.

No loans have been made to Directors, Officers or Managers and none are contemplated.

All quoted investments are listed on major stock exchanges.

4. Other debtors

As at 31 March	2016 £	2015 £
Derivative financial instruments at fair value through profit and loss	**307,155**	68,922
Insurance debtors	**-**	1
	307,155	**68,923**

5. Bank balances and cash

As at 31 March	2016 £	2015 £
HSBC plc	**62,936**	193,603
	62,936	193,603

6. Cash and investments

(i) Fair value through profit and loss

As at 31 March	2016 £	2015 £
Fixed interest securities (note 3)	**35,700,870**	37,612,479
Unit trusts (note 3)	**503,480**	1,746,757
Bank balances and cash (note 5)	**62,936**	193,603
Foreign currency forward contracts (notes 4 & 9)	**77,756**	(273,528)
	36,345,042	39,279,311

(ii) Maturity summary

As at 31 March	2016 %	2015 %
Unit trusts	**1.39**	4.45
Bank balances and cash	**0.17**	0.49
Foreign currency forward contracts	**0.21**	(0.70)
Interest bearing securities repayable:		
Within one year	**4.22**	11.85
One to three years	**41.63**	24.68
Three to seven years	**35.39**	39.55
Over seven years	**16.99**	19.68
	100.00	100.00

(iii) Concentration exposure

As at 31 March	2016 %	2015 %
HSBC plc	**100.00**	100.00
	100.00	100.00

(iv) Currency exposure

As at 31 March	2016 %	2015 %
Sterling	**38.65**	46.64
Euro	**30.40**	27.37
United States Dollar	**30.95**	25.99
	100.00	**100.00**

F5. Notes to the financial statements

7. Intercompany loan

On 19 February 2016, the Company issued a discounted loan note of £42,061,846 with a discount rate of 0.9985296% to Tata Steel UK Limited, a fellow group subsidiary. This discounted loan matured on 20 May 2016.

On 20 May 2016, the Company issued a discounted loan note of £42,061,695 with a discount rate of 0.9985332% to Tata Steel UK Limited, a fellow group subsidiary. This discounted loan matures on 19 August 2016.

Total income for the year arising from this loan and its previous placements amounted to £241,212 (2015: £291,729).

The loan is unsecured and is conducted on an arm's length basis.

8. Claims development

Estimate of cumulative claims	2012 £	2013 £	2014 £	2015 £	2016 £	**Total** **£**
As at end of first financial year	10,375,000	9,450,000	10,975,000	6,877,500	6,794,750	
One year later	10,079,186	9,815,946	7,491,391	6,969,997	-	
Two years later	7,693,135	7,834,887	7,380,252	-	-	
Three years later	6,992,699	7,741,782	-	-	-	
Four years later	8,084,730	-	-	-	-	
Current Estimate	8,084,730	7,741,782	7,830,252	6,969,997	6,794,750	
Cumulative payments	(5,618,916)	(4,974,276)	(3,182,655)	(1,533,484)	(345,777)	
	2,465,814	2,767,506	4,647,597	5,436,513	6,448,973	**21,766,404**
Claims on earlier years						**27,592,309**
Claims (including claims incurred but not reported)						**49,358,713**

9. Other creditors

As at 31 March	**2016** **£**	2015 £
Derivative financial instruments at fair value through profit and loss	**229,399**	342,450
Insurance creditors	**-**	-
	229,399	**342,450**

10. Charge on assets

There is a specific charge over a cash balance of £1 at 31 March 2016 in favour of Pool Reinsurance Limited.

11. Called up share capital

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

Authorised	**2016** **£**	2015 £
500,000 ordinary shares of £1 each	**500,000**	500,000

Allotted, called up and fully paid	**2016** **£**	2015 £
500,000 ordinary shares of £1 each	**500,000**	500,000

The Company has one class of ordinary shares which carry no right to fixed income.

12. Share premium

As at 31 March	**2016**	2015
	£	£
Premium on issue of 500,000 £1 ordinary shares at a premium of £19 each	**9,500,000**	9,500,000

13. Taxation

The Company is resident for tax purposes in the Isle of Man and subject to tax at the standard rate of 0%.

14. Related party transactions

Under FRS 101, the Company has taken advantage of the exemption to provide disclosure of related party transactions in accordance with IAS 24.

15. Ultimate and immediate parent company

The Company is a wholly owned subsidiary of Corus International (Overseas Holdings) Limited, a company incorporated in the UK. The ultimate parent company and controlling party is Tata Steel Limited, a company incorporated in India.

The financial statements of the Company are consolidated into the financial statements of Tata Steel UK Holdings Limited, which is the parent company of the smallest group to consolidate these financial statements.

The financial statements of Tata Steel UK Holdings Limited can be obtained from the Company Secretary, Tata Steel UK Holdings Limited, 30 Millbank, London, SW1P 4WY.

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

16. Segmental analysis

The directors are of the opinion that the Company does not operate in more than one business segment or from more than one geographical area. All business is written from the Isle of Man.

17. Letters of credit

The Company has a Letter of Credit Facility in place with HSBC Bank plc. There is 1 (2015: 2) evergreen Letter of Credit in existence under this facility issued by HSBC Bank plc of £30,000,000. See section V within the Supplementary information for further details. The overall facility limit is £35,000,000.

18. Financial risk management

Credit Risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Company. Debtor exposure is mitigated because it is contained to entities within the TSE group. This exposure is monitored by means of reports from the Managers to the Directors at each Board meeting. The loan to Tata Steel UK Limited is short-term and subject to strict repayment terms (see note 7).

Concentrations of credit risk exist to the extent that, as at 31 March 2016, cash and cash equivalents were held as follows:

As at 31 March	**Moody's Rating**	**2016**	2015
		£	£
HSBC plc	**A1+**	**36,345,042**	39,279,311
		36,345,042	**39,279,311**

The Company monitors credit risk on a regular basis and manages risk by placing funds with counterparties that have high credit ratings as assigned by international credit rating agencies.

Liquidity Risk

Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Company as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very tradable instruments to minimise this exposure.

The table below analyses the Company's debt into relevant maturity groupings based on the remaining years from the balance sheet date to the contractual maturity date. This is at best estimate as the timing of claims settlement will be subjective. The amounts in the table are the contractual undiscounted cash flows:

As at 31 March	**2016**	2015
	£	£
Within one year	**44,409,047**	48,929,131
One to three years	**15,128,771**	9,695,403
Three to seven years	**12,860,865**	15,533,712
Over seven years	**6,176,347**	7,728,529
	78,575,030	**81,866,775**

Risk and Capital Management

As a Class 12 licence holder under Isle of Man Insurance Regulations, the Company is required to maintain shareholders' funds in excess of £50,000 together with 10% of net written premium up to £2,000,000 and 5% of net written premium in excess of £2,000,000. The Board consider this, together with a calculation of capital adequacy, on a regular basis. During the year the Company complied with all externally imposed requirements.

The Company currently holds funds of £28,748,338 (2015: £30,402,159) in excess of the regulatory minimum solvency margin.

19. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements prepared under a previous GAAP (UK GAAP) were for the year ended 31 March 2015.

Reconciliation of net assets

	31 March 2015
	£
Net assets reported under previous UK GAAP	**30,854,732**
Adjustments to net assets on transition to FRS 101:	
Financial instruments (i)	(2,832)
Net assets reported under FRS 101	**30,851,900**

(i) Financial instruments are now recognised at fair value with movements in fair value shown in profit and loss.

20. Continued application of FRS 101

Following the first time application of FRS 101 in this financial year, the Board considers that it is in the best interests of the Company to continue to apply FRS 101 in future periods.

21. Post Balance Sheet Event

The Company ceased writing insurance on 1 April 2016 but continues to manage the development of the remaining claims for those policy years in which insurance policies were written. This is expected to continue for the foreseeable future.