

**Company Registration No. 2128169**

**Kalzip Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2015**

# **Kalzip Limited**

## **Annual report and financial statements 2015**

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# **Kalzip Limited**

## **Annual report and financial statements 2015**

### **Officers and professional advisers**

#### **Directors**

J Schwall

#### **Registered Office**

Haydock Lane  
Haydock  
St Helens  
Merseyside  
WA11 9TY

#### **Bankers**

HSBC Bank PLC  
8 Canada Square  
London  
E14 5HG

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester  
United Kingdom

# Kalzip Limited

## Strategic report

### Principal activities

Kalzip Limited ('Company') is a wholly owned subsidiary within the Tata Steel Europe Limited ('TSE') Group and its activities are managed as an integral part of the parent's operations.

The principal activities are the sale of aluminium building products throughout the world. The principal activities have changed in 2013/14 following the restructuring of Kalzip's European operations. The main part of this restructuring was the consolidation of all in-house manufacturing from Haydock (UK) to Koblenz (Germany) and downsizing of support functions in the UK. Kalzip Ltd is now acting as a sales agent of Kalzip GmbH, Germany.

The Company owns, or has access to, TSE Group sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for distribution and further processing. These are supported by various agency agreements. There is an extensive network in the EU, while outside the EU there are sales offices in over thirty countries, supported by a worldwide trading network and a number of processing and service centres.

As noted above, the Company's activities are managed as an integral part of the Kalzip Business Unit and of its parent's operations (TSE). The performance of TSE is discussed in the strategic report of the TSE Annual Report & Accounts which does not form part of this report.

### Business review

The Company is managed as an integral part of its parent company's operations. The business issues impacting TSE have been disclosed in the Business Review section of the strategic report in its annual Report and Accounts.

The turnover increased by 13% to £      m (2014: £24.5m). The main drivers of this growth related to the increase in trade in Asia and South America as a result of the materials and services provided for the main ongoing projects. These are the King Abdul Aziz International Airport Terminal in Jeddah, Saudi Arabia and the Monterrey Stadium, Mexico which contributed £3.8m and £3.5m revenue for the year respectively. The turnover in the home market United Kingdom decreased by 30% to £      m (2014: £11.6m).

The exceptional cost of £2.5m includes costs for redundancies and future costs for unused areas of rented buildings following the announced restructuring in July 2013. The 2013 exceptional cost related to the purchase of a customer base from a fellow Group company.

The loss of the year after taxation amounted to £      m (2014: £2.9m).

### Going concern

The Company's activities, together with the factors likely to affect its future development and position, are set out within this report.

Kalzip Limited is currently in the process of implementing a service level agreement with Kalzip GmbH, Germany that the costs of the agency activities for Kalzip GmbH will be recovered at least at cost and have received assurances from the Directors of Kalzip GmbH that such costs will be recovered at least at cost for a period of at least 12 months from the date of this report.

The Company's Director has a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, he has continued to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 March 2015.

More details in the going concern assumptions are included in note 1.

# Kalzip Limited

## Strategic report (continued)

### Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including working capital management risk, credit management risk and exchange rate risk.

#### *Working capital management risk*

The Company has exposure to working capital movements during the course of a financial year as working capital outflows can occur from project delays, higher stock levels and overdue debts. Inflows of cash are also expected from higher volume months, cashing of overdues and regular monitoring of stock levels.

The key controls in place to monitor such risks include:

- credit management controls and procedures as noted separately below;
- monitoring of incoming stock to targets set;
- monitoring of slow moving stock levels and obsolete material; and
- ratio analysis in the form of DSO, DIO and DPO as per group guidelines.

#### *Credit management risk*

The Company's principal financial assets are bank balances and cash, trade and other debtors, stock and fixed assets. A high proportion of the customer base is covered by credit insurance and the key controls in place to mitigate this risk include:

- internal credit checks prior to deliveries;
- regular credit checks using financial organisations and financial statements; and
- closely monitored credit control procedures.

#### *Exchange rate risk*

The Company's exposure to exchange rate risk comes from trading within different countries and, both in buying materials and services and selling finished products and services. The key procedures in place to mitigate this risk include:

- netting off debtors and creditor balances where appropriate;
- regular monitoring of price lists and currency fluctuations;
- currency contracts utilised by our group parent to mitigate the effect of spot rate changes; and
- monitoring of the exchange rate variance account in the profit and loss account.

### Future developments and subsequent events

The Director expects better results for the next financial year, mainly as a result of the rationalisation of administrative expenses and the implementation of a service level agreement with Kalzip GmbH.

Approved and signed by the sole Director

Joerg Schwall  
Director

2015

# Kalzip Limited

## Director's report

The Director presents his annual report and the audited financial statements for the year ended 31 March 2015.

### Dividends and transfers to reserves

The Profit for the year after taxation of £1,151,549 (2014: £2,900,831) has been transferred from reserves. The Director is unable to recommend that a dividend is paid (2014: same).

### Employees

Details of the number of employees and related costs can be found in Note 3 to the financial statements on page 12.

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

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

### Research and development

The Company continues to invest in research and development in order to bring about changes in product and process developments. This is discussed in more detail in the strategic report of the TSE Annual Report and Accounts.

### Directors

The Directors who served throughout the year and thereafter are set out on page 1.

### Auditor

The Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP has indicated their willingness to be re-appointed for another term and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved and signed by the sole Director

Joerg Schwall  
Director

2015

# **Kalzip Limited**

## **Director's responsibilities statement**

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. The Director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Kalzip Limited**

We have audited the financial statements of Kalzip Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director and auditor**

As explained more fully in the Director's Responsibilities Statement, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Timothy Edge BSc ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom  
2015

# Kalzip Limited

## Profit and loss account Year ended 31 March 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	2	8,916,069	24,487,492
Cost of sales		(5,471,907)	(15,962,562)
<b>Gross profit</b>		<u>3,444,162</u>	<u>8,524,930</u>
Administrative expenses		(3,029,158)	(8,940,254)
Exceptional costs – purchase customer base		-	-
Exceptional costs – restructuring cost		736,097	(2,485,000)
<b>Operating Profit</b>	4	<u>1,151,101</u>	<u>(2,900,324)</u>
Interest (payable)/receivable	5	448	(507)
<b>Profit on ordinary activities before taxation</b>		<u>1,151,549</u>	<u>(2,900,831)</u>
Tax on profit on ordinary activities	6	-	-
<b>Profit on ordinary activities after taxation</b>	13	<u><u>1,151,549</u></u>	<u><u>(2,900,831)</u></u>

The Company has no recognised gains or losses other than those included in the profit and loss account above for either the current or prior year, and accordingly no separate statement of total recognised gains and losses has been presented.

All the above results derive from continuing operations in both the current and prior years.

## Kalzip Limited

### Statement of total recognised gains and losses Year ended 31 March 2015

	2015 £	2014 £
Profit for the financial year	1,151,549	(2,900,831)
Net increase in shareholder's funds	1,151,549	(2,900,831)
Opening shareholder's funds	513,433	3,414,264
Closing shareholder's funds	<u>1,664,982</u>	<u>513,433</u>

# Kalzip Limited

## Balance sheet As at 31 March 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	7	214,512	597,115
<b>CURRENT ASSETS</b>			
Stocks	8	183,280	1,177,277
Debtors - due within one year	9	3,167,154	4,465,186
- due after one year	9	-	-
Cash at bank and in hand		194,907	116,088
<b>Creditors: amounts falling due within one year</b>	10	3,545,341 (1,215,037)	5,758,551 (3,660,295)
<b>Net current assets</b>		2,330,304	2,098,256
<b>Total assets less current liabilities</b>		2,544,816	2,695,371
<b>Provisions</b>	11	(879,832)	(2,181,938)
<b>Net assets</b>		1,664,984	513,433
<b>Capital and reserves</b>			
Called up share capital	12	3,700,000	3,700,000
Profit and loss account	13	(2,035,018)	(3,186,567)
<b>Shareholder's funds</b>		1,664,982	513,433

The financial statements of Kalzip Limited, registered number 2128169, were approved and signed by the sole Director on 2015.

Joerg Schwall  
Director

# Kalzip Limited

## Notes to the financial statements Year ended 31 March 2015

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

#### **Going concern**

The strategic report and the Director's report on pages 2 to 4 describe the financial position of the Company, its principal risks and uncertainties and its future prospects. The Company has no external bank financing and, and is linked to the group cash pooling facility, and so shares banking arrangements with its parent and fellow subsidiaries.

Kalzip Limited is currently in the process of implementing a service level agreement with Kalzip GmbH, Germany that the costs of the agency activities for Kalzip GmbH will be recovered at least at cost and have received assurances from the Directors of Kalzip GmbH that such costs will be recovered at least at cost for a period of at least 12 months from the date of this report. The Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31st March 2015.

The Director notes that trading conditions continue to be difficult, but based on the current restructuring and the change of the principal activities from sale of the aluminium building products to a sales agent of Kalzip GmbH, Germany expects that breakeven is a realistic target in the financial year ending 31 March 2015.

However, the Director considers that delays in its customers' construction projects, outside the control of the Company, could have an adverse effect on the future profit and cash-flow forecasts of the Company. The Director has considered mitigating actions, should the need arise, with respect to these potential changes in trading conditions. The Company's forecasts and projections, taking account of such reasonably possible changes in trading performance, show that it will be able to operate within the level of its current cash resources. The Director has also made enquiries of Directors of the parent company, Tata Steel UK Limited, and considered their ability to continue with the current group banking arrangements.

After making enquires, and assessing the response of the Directors of Tata Steel UK Limited to their enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Cash flow statement**

As permitted by Financial Reporting Standard No. 1 (revised 1996), the Company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Tata Steel UK Holdings Limited which has produced consolidated financial statements that are publicly available.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost net of any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold improvements	Over the term of the lease
Plant and machinery	5 – 10 years
Fixtures, fittings and office equipment	3 – 10 years

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 1. Accounting policies (continued)

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of production overheads based on normal levels of activity. Net realisable value is based on estimated selling price less all further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### Taxation

Current tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences.

In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### Pension costs

The Company contributes to a group pension scheme which is a defined benefit scheme. Contributions and costs are based on pension costs across the group pension scheme as a whole.

As the Company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme on a consistent and reasonable basis, the scheme is treated as a defined contribution scheme and only contributions payable each year are recognised.

#### Revenue recognition

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. Turnover from sale of goods is recognised when the goods are physically delivered to the customer.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 2. Turnover

The turnover and pre-tax loss is attributable to one activity, the production and sale of aluminium building products. Turnover by geographical segment is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
United Kingdom	5,621,238	11,606,505
Other European Union countries	185,591	1,523,615
United States of America and Canada	443,773	1,775,264
Asia	1,613,705	5,893,324
Africa	189,935	196,513
North America	861,827	3,492,271
	<u>8,916,069</u>	<u>24,487,492</u>

### 3. Information regarding directors and employees

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Director's emoluments	-	-
	<u>-</u>	<u>-</u>
	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed (including Directors)</b>		
Production	7	26
Administration and management	39	54
	<u>46</u>	<u>80</u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including Directors)</b>		
Wages and salaries	1,351,901	2,271,740
Social security costs	125,104	193,688
Pension costs	154,805	247,892
	<u>1,631,810</u>	<u>2,713,320</u>

The Directors received no remuneration for their services to the Company in the financial year. The Directors remuneration in the financial year has been borne by another Group Company and not recharged (2014: same).

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 4. Operating loss

	2015 £	2014 £
<b>Operating loss is stated after charging:</b>		
Depreciation	100,206	137,151
Exceptional costs – purchase customer base	-	-
Exceptional costs – restructuring cost	(736,097)	2,485,000
Rentals under operating leases		
- hire of plant and machinery	41,161	59,311
- other operating leases	276,163	417,371
Net exchange losses on foreign currency transactions	(156,111)	33,301
Auditor's remuneration		
- fees payable to the Company's auditor for the audit of the Company's annual financial statements	18,015	18,015
	<u>18,015</u>	<u>18,015</u>

No non-audit fees were paid to the Company's auditor in respect of the current year (2014: £nil).

Exceptional costs of £2,485,000 were incurred in the year related with the restructuring of the business and includes £561,000 for redundancy costs and £1,924,000 for other restructuring costs related to the unused areas of long term leased buildings.

Exceptional costs were incurred in the prior year through the purchase of a customer base from a fellow group undertaking. The purchase cost was expensed as it did not meet the recognition criteria of an intangible asset.

### 5. Interest (payable)/receivable

	2015 £	2014 £
Interest (payable)/receivable on short term (overdrafts)/deposits	448	(507)
	<u>448</u>	<u>(507)</u>

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 6. Tax on loss on ordinary activities

	2015 £	2014 £
<b>Current tax</b>		
UK corporation tax on profits for the year	-	-
<b>Total tax credit on loss on ordinary activities</b>	<u>-</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2015 £	2014 £
Loss on ordinary activities before tax	1,151,551	(2,900,831)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23% (2014: 24%)	241,826	(667,191)
Effects of:		
Expenses not deductible for tax purposes	920	12,711
Accelerated capital allowances	(3,378)	(6,869)
Group relief surrendered free of charge	(239,368)	661,349
<b>Current tax credit for the year</b>	<u>-</u>	<u>-</u>

### 7. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
<b>Cost</b>				
At 1 April 2014	499,702	3,488,288	413,523	4,401,513
Disposals	(353,383)	(651,450)	-	1,004,833
At 31 March 2015	<u>146,319</u>	<u>2,836,838</u>	<u>413,523</u>	<u>3,396,680</u>
<b>Accumulated depreciation</b>				
At 1 April 2014	242,916	3,198,971	362,511	3,804,398
Charge for the year	45,966	39,215	15,025	100,206
Disposals	(198,933)	(523,503)	-	722,436
At 31 March 2015	<u>89,949</u>	<u>2,714,683</u>	<u>377,536</u>	<u>3,182,169</u>
<b>Net book value</b>				
At 31 March 2015	<u>56,370</u>	<u>122,155</u>	<u>35,987</u>	<u>214,512</u>
At 31 March 2014	<u>256,786</u>	<u>289,317</u>	<u>51,012</u>	<u>597,115</u>

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 8. Stocks

	2015 £	2014 £
Raw materials	86,559	749,837
Finished goods and goods for resale	96,721	427,440
	<u>183,280</u>	<u>1,177,277</u>

There is no material difference between the balance sheet value of stock and their replacement costs.

### 9. Debtors

	2015 £	2014 £
<b>Amounts due within one year:</b>		
Trade debtors	2,225,602	4,080,910
Amounts owed by group undertakings	639,830	221,265
Prepayments and accrued income	301,722	163,011
	<u>3,167,154</u>	<u>4,465,186</u>
<b>Amounts due after more than one year:</b>		
Amounts owed by group undertakings	-	-
Other debtors	-	-
	<u>-</u>	<u>-</u>

Amounts owed by group undertakings includes £350,862 of cash held on behalf of the Company which is refundable on demand, reflecting that the Company is part of a group cash pooling arrangement.

A deferred tax asset has not been recognised in respect of fixed asset timing differences of £12,681 (2014: £42,994) due to the uncertainty of utilisation.

### 10. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	785,424	1,743,781
Amounts owed to group undertakings	353,112	957,222
Other taxes and social security	(12,936)	126,259
Other creditors	24,641	42,118
Accruals and deferred income	64,796	790,915
	<u>1,215,037</u>	<u>3,660,295</u>

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 11. Provisions

	<b>Redundancy £</b>	<b>Other restructuring costs £</b>	<b>Total £</b>
At 1 April 2014	360,070	1,821,868	2,181,938
Charge to the profit and loss	19,498	(755,959)	(736,097)
Utilised	(320,761)	(245,248)	(566,009)
	<u>58,807</u>	<u>821,025</u>	<u>879,832</u>
At 31 March 2015	<u>58,807</u>	<u>821,025</u>	<u>879,832</u>

The redundancy costs will be utilised with the next financial year where the other restructuring costs will be utilised up to financial year 2022/23 based on the existing rent contracts.

### 12. Called up share capital

	<b>2015 £</b>	<b>2014 £</b>
<b>Allotted, called-up and fully paid</b>		
3,700,000 ordinary shares of £1 each	<u>3,700,000</u>	<u>3,700,000</u>

### 13. Reserves

	<b>Profit and loss account £</b>
At 1 April 2014	(3,186,567)
Profit for the year	1,151,549
	<u>(2,035,018)</u>
At 31 March 2015	<u>(2,035,018)</u>

### 14. Financial commitments

#### Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	<b>Land and buildings 20155 £</b>	<b>Other 20155 £</b>	<b>Land and buildings 2015 £</b>	<b>Other 2015 £</b>
Leases which expire:				
Within one year	25,000	6,761	-	54,016
Within two to five years	257,940	54,492	-	21,066
After five years	<u>282,940</u>	<u>-</u>	<u>375,802</u>	<u>-</u>
	<u>282,940</u>	<u>61,253</u>	<u>375,802</u>	<u>75,082</u>

# Kalzip Limited

## Notes to the financial statements (continued) Year ended 31 March 2015

### 15. Retirement benefit schemes

#### *Introduction*

The Company participates in the British Steel Pension Scheme. The British Steel Pension Scheme (BSPS), a multi-employer scheme, is a defined benefit scheme and its assets are held in a separately administered fund.

In January 2009, Tata Steel UK Limited (formerly Corus UK Ltd) announced its intention to close the BSPS to new members and consultation with employees and their representatives is ongoing. On 6 April 2009, the Corus Engineering Steels Pension Scheme (CESPS) was merged into the BSPS. Under the terms of the merger agreement, the group will make payments of £10 million per annum over a seven year period in order to clear the funding deficit in CESPS and bring both schemes to comparable funding levels, and in respect of current active CESPS members, will make payment of any early retirement redundancy strains on the BSPS as they arise in respect of CESPS service. Following the merger, CESPS assets and liabilities were transferred in full to BSPS.

#### *Accounting*

The Company is unable to identify its share of the underlying assets and liabilities in the British Steel pension scheme on a consistent and reliable basis, given that the scheme is one of the largest in the UK with over 30,000 employees, and therefore the scheme is treated as a defined contribution scheme, where only the contributions paid each year are recognised. The pension cost to the Company for the year amounted to £154,805.

#### *Further details about the pension scheme*

The estimated employer contributions to the BSPS, as a whole, for 2015 are £130 million, of which Kalzip Limited will contribute £0.2 million.

Independent actuaries were used to calculate the costs, assets and liabilities in relation to the scheme as at 31 March 2015, and for further information, refer to the financial statements of Tata Steel UK Limited for the year ended 31 March 2015. The present value of the defined benefit obligation, the related current service cost and the past service cost were calculated by these actuaries using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Actuarial valuations are carried out annually and updated at each balance sheet date. As at 31 March 2015, the scheme had a net surplus position of £360 million. The ongoing funding arrangements of the scheme, in place to meet its long term pension liabilities, are governed by the scheme documentation and national legislation. The disclosure requirements of FRS 17, as set out in the Tata Steel UK Limited financial statements, do not affect these funding arrangements.

### 16. Related party transactions

As a wholly-owned subsidiary undertaking of Tata Steel UK Holdings Limited, the Company has taken advantage of the exemption in FRS8 'Related Party Disclosures' from disclosing transactions with other wholly-owned members of the group headed by Tata Steel UK Holdings Limited.

### 17. Ultimate parent company

The Company is a subsidiary of Tata Steel UK Holdings Limited, a company incorporated in England and Wales, whose registered office is 30 Millbank, London, SW1P 4WY. The group headed by Tata Steel UK Holdings Limited is the smallest group to consolidate these financial statements.

The largest group in which the results of the Company will be consolidated into is that headed by Tata Steel Limited, a company incorporated in India, whose registered office is Bombay House, 24 Homi Mody Street, Mumbai, 400 001. Tata Steel Limited is considered to be the Company's ultimate controlling party.