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UK Steel Enterprise Limited

Report & Accounts 2023

Contents

A. Directors and advisors

Directors

Mr A J Johnston
Mr S T Hamilton
Mr C L Harvey
Mr C D Jaques
Mr R Rickhuss

Secretary and registered office

R Thomas
The Innovation Centre
217 Portobello
Sheffield
S1 4DP

Company Number

00535960

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

B. Directors' report

Introduction

The Directors submit herewith the audited financial statements of UK Steel Enterprise Limited ('The Company') for the year ended 31 March 2023.

The Company has chosen to present the financial statements in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101), a framework for entities who apply the presentation, recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but also ensure compliance with any relevant legal requirements applicable to it.

Principal activities

UK Steel Enterprise Limited is a wholly owned subsidiary within the Tata Steel UK Limited ('TSUK') Group.

The principal objective of the Company is to assist in the economic regeneration of those areas of the UK which have been affected by changes in the steel industry. The Company seeks to achieve this by encouraging the creation and growth of small and medium sized businesses which can provide new employment opportunities in these areas.

The principal activities of the Company are the provision of risk finance and premises to businesses which can demonstrate growth potential. The Company also provides support to selected business support agencies and initiatives.

Going concern

The financial statements of the Company have been prepared on a going concern basis as explained under the Basis of Preparation note on page 10.

The Board

The directors of the Company who served throughout the year from 1 April 2022 to the date of the report were as follows:

Mr A J Johnston

Mr S T Hamilton

Mr C L Harvey

Mr C D Jaques

Mr R Rickhuss

Results and dividends

The results of the Company show turnover for the year ended 31 March 2023 of £3,361,142 (2022: £3,231,051) and a pre-tax profit of £582,485 (2022: £3,451,451).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2023 (2022: £nil).

Financial risk management

Details of the Company's financial risk management can be found in note 22 to the financial statements.

Independent auditors

An elective resolution has been passed dispensing with the requirement to appoint the auditors annually, and PricewaterhouseCoopers LLP are therefore deemed to continue as auditors.

Small company exemption

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006, as a result no strategic report has been prepared.

Approved by the Board of Directors and signed by order of the Board

R Thomas
Company Secretary

Registered Office:

The Innovation Centre
217 Portobello
Sheffield
S1 4DP

22 November 2023

C. Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

R Thomas
Company Secretary
22 November 2023

D. Independent auditors' report to the members of UK Steel Enterprise Limited

Report on the audit of the financial statements

Opinion

In our opinion, UK Steel Enterprise Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2023 (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2023; the Income statement and Statement of changes in equity for the year then ended; the Presentation of accounts and accounting policies; and the Notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of preparation section included within the "Presentation of accounts and accounting policies" to the financial statements concerning the company's ability to continue as a going concern. The directors of Tata Steel UK Limited (TSUK), the company's direct parent, have concluded that there exists a material uncertainty that casts significant doubt over TSUK's ability to continue as a going concern, due to the underlying market and business conditions and the fact that the required financial support from Tata Steel Limited and the UK Government for the Electric Arc Furnace steelmaking facility of TSUK and the separate parental support letters are all non-binding and may not be adequate. In the event that TSUK ceased to be a going concern, the directors of the company are unable to predict the impact this would have on the company, as it is controlled by and conducts inter-related trading and other activity with TSUK. These conditions, along with the other matters explained in the Basis of preparation section included within the "Presentation of accounts and accounting policies" to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the UK Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions and judgments designed to overstate the financial performance and position of the entity. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Reviewing Board minutes and legal expense codes to assess the entity's compliance and monitoring of legal and internal control matters
- Using computer based audit techniques to identify and test higher risk journals, in particular those having unusual account combinations
- Reviewing and challenging management's conclusions from the Key Portfolio Review control in assessing the fair value of investment balances
- Obtaining third party confirmations of all the entity's banking and financing arrangements

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility

Bruan Trehame (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Cardiff
24 November 2023

E1. Income statement

For the financial year ended 31 March

	Note	2023 £	2022 £
Revenue	1	3,361,142	3,231,051
Operating costs	2	(4,744,638)	(955,964)
Other operating income	3	1,537,736	1,143,882
Operating profit		**154,240**	**3,418,969**
Finance income	6	428,245	32,482
Profit before taxation		**582,485**	**3,451,451**
Tax on profit	7	-	-
Profit after taxation		**582,485**	**3,451,451**

All references to 2023 in the Financial Statements, the Presentation of Accounts and Accounting Policies and the related Notes 1 to 24 refer to the financial year ended 31 March 2023 or as at 31 March 2023 as appropriate (2022: the financial year ended 31 March 2022 or as at 31 March 2022).

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

Notes and related statements forming part of these accounts appear on pages 10 to 20.

E2. Balance sheet

As at 31 March	Note	2023 £	2022 £
Non-current assets			
Investment property	8	***263,000***	*263,000*
Property, plant and equipment	9	**7,277,871**	7,716,273
Investments and subsidiaries	10	**-**	-
Other investments	11	**10,195,452**	7,266,153
		17,736,323	**15,245,426**
Current assets			
Trade and other receivables	12	**17,010,169**	18,579,306
Cash and short term deposits		**3,593,823**	3,732,124
		20,603,992	**22,311,430**
TOTAL ASSETS		**38,340,315**	**37,556,856**
Current liabilities			
Trade and other payables	13	**(3,876,172)**	(3,623,908)
		(3,876,172)	**(3,623,908)**
Non-current liabilities			
Deferred income	15	**(339,485)**	(390,775)
		(339,485)	**(390,775)**
TOTAL LIABILITIES		**(4,215,657)**	**(4,014,683)**
NET ASSETS		**34,124,658**	**33,542,173**
Equity			
Called up share capital	16	***10,000,100***	*10,000,100*
Capital contribution	17	**11,150,000**	11,150,000
Restricted reserve	18	**1,636,783**	1,501,068
Retained earnings		**11,337,775**	10,891,005
TOTAL EQUITY		**34,124,658**	**33,542,173**

The financial statements on pages 7 to 20 were approved by the board of directors and signed on its behalf by:

S T Hamilton
22 November 2023
UK Steel Enterprise Limited
Registered No: 00535960

Notes and related statements forming part of these accounts appear on pages 10 to 20.

E3. Statement of changes in equity

For the financial year ended 31 March

	Called up Share capital	Capital contribution (note 17)	Restricted reserve (note 18)	Retained Earnings	**Total equity**
	£	£	£	£	**£**
Balance as at 1 April 2021	10,000,100	11,150,000	1,536,241	7,404,381	**30,090,722**
Profit for the financial year	-	-	(35,173)	3,486,624	**3,451,451**
Total comprehensive income for the year	-	-	(35,173)	3,486,624	**3,451,451**
Balance as at 31 March 2022	10,000,100	11,150,000	1,501,068	10,891,005	**33,542,173**
Profit for the financial year	-	-	135,715	446,770	**582,485**
Total comprehensive income for the year	-	-	135,715	446,770	**582,485**
Balance as at 31 March 2023	**10,000,100**	**11,150,000**	**1,636,783**	**11,337,775**	**34,124,658**

Notes and related statements forming part of these accounts appear on pages 10 to 20.

E4. Presentation of accounts and accounting policies

I Basis of preparation

UK Steel Enterprise Limited (UKSE) is a private limited company incorporated and domiciled in the United Kingdom (registered office: The Innovation Centre, 217 Portobello, Sheffield S1 4DP) under the Companies Act 2006. The functional and presentational currency of the Company is sterling.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets (including intangible and tangible assets), presentation of a cash flow statement (IAS 7), standards not yet effective (IAS 8) and related party transactions (IAS 24) with the Tata Steel Europe group. Where relevant, further disclosure exemptions have been taken including the IFRS 7 requirement to provide disclosures on financial instruments on the basis that equivalent disclosures have been given in the group accounts of Tata Steel Europe Limited (TSE).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Company's revenue is predominantly derived from the single performance obligation to provide business premises.

The Company is a wholly-owned subsidiary of Tata Steel Europe Limited and is included in the consolidated financial statements of Tata Steel Europe Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption of preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Going concern

The directors have assessed the future funding requirements of the Company and have compared these funding requirements to the level of borrowing facilities which are assumed to be available, including working capital facilities. The Company, and its direct parent company Tata Steel UK Limited ('TSUK'), are part of the Tata Steel Limited ('TSL') group. In previous years, as part of the wider TSL group, TSUK has benefitted from significant financial support from its parent companies in order to settle historic financial indebtedness and to invest in working capital. This support included equity proceeds of £1,366m in 2021/22 and support in arranging bank finance facilities which TSUK either has direct access to or indirect access via other TSL group companies.

The Company has an inter-company loan receivable with TSUK which, as at 31 March 2023, had a carrying value of £16,864,125.

TSUK ended the September 2023 quarter with a positive cash balance and unutilised financing facilities which, along with specific actions being taken to improve business performance, is expected to ensure that TSUK can manage the current economic downturn in the steel industry and the forecast cash outflows for the remainder of the financial year based on its current operational footprint. On 15 September 2023, Tata Steel UK Limited TSUK announced a joint agreement with the UK Government on a proposal to invest in state-of-the-art electric arc furnace ('EAF') steelmaking at the Port Talbot site with a capital cost of £1.25 billion inclusive of a grant from the UK Government of up to £500 million, subject to relevant regulatory approvals, information and consultation processes, and the finalisation of detailed terms and conditions. As part of this joint agreement, TSL agreed that if the proposal proceeded, it would inject equity of at least £1,000m into TSUK in order to fund the remaining part of the capital cost not covered by the government grant and to cover certain restructuring costs which TSUK would be expected to incur as part of the proposed deep restructuring of its heavy end facilities in Port Talbot.

The financing facilities which TSUK has access to are not all committed facilities and TSUK's Revolving Credit Facility ('RCF') is due to expire in June 2024. As such, TSUK will, as a minimum, require additional forms of financial support to refinance or repay these facilities. In the event of a further severe but plausible downturn TSUK will also need further financial support in order to address any adverse impact on liquidity from March 2024 onwards. As TSUK is an integral part of the TSL Group, a non-binding letter of support has been provided by T S Global Holdings Pte Ltd ('TSGH'), a subsidiary of TSL, which confirms that TSGH will support the refinancing, or the repayment, of the RCF and a separate uncommitted bank facility. Furthermore, a non-binding letter of support has been provided by T S Global Procurement ('Proco'), a subsidiary of TSL, which provides TSUK with access to £300m of working capital support if required.

Funding for the proposed investment in the EAF is expected to be provided by a combination of TSL and the UK Government and funding for the assumed restructuring costs is forecast to be provided by TSL. Whilst both TSL and the UK Government have signed a term sheet setting out the details and confirming the commitments they intend to enter into if the proposal was to proceed, the proposal is currently non-binding until the time that all relevant regulatory approvals, information and consultation processes, and the finalisation of detailed terms and conditions have been completed.

Under all scenarios, the directors of TSUK believe that TSUK has access to adequate liquidity given the support undertakings provided by Proco and TSGH as described above and a reasonable prospect of securing the support of the UK Government and TSL in order to enable the execution of its decarbonisation strategy. However, the cyclical nature of the steel industry and the non-binding nature of the proposed EAF investment means that the financial projections of TSUK, and the effect on the liquidity of the UK Business, are difficult to predict with a high level of certainty.

For these reasons, the directors of TSUK have concluded that there exists a material uncertainty with respect to TSUK in relation to underlying market and business conditions which may negatively impact its operational cash requirements in the near term, the possibility that the proposed EAF investment may not proceed as it is currently non-binding on both the UK Government and TSL, and the non-binding nature of the support letters provided by Proco and TSGH. Such factors may cast significant doubt on TSUK's ability to continue as a going concern.

In the event that TSUK ceased to be a going concern, the directors of the Company are unable to predict the impact this may have on the Company as it is controlled by and conducts inter-related trading and other activity with TSUK. As a result of the situation concerning TSUK, the directors have concluded that there is a material uncertainty that casts significant doubt over the Company's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company were unable to continue as a going concern. In addition, 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 intercompany receivables with TSUK.

II Use of estimates and critical accounting judgements

The preparation of accounts in accordance with FRS 101 requires management to make estimates and assumptions that affect the:

(i) reported amounts of assets and liabilities;
(ii) disclosure of contingent assets and liabilities at the date of the accounts; and
(iii) reported amounts of income and expenses during the period.

Actual results could differ from those estimates. The most significant techniques for estimation are described in the accounting policies below.

Critical accounting judgments and the key sources of estimation or uncertainty in applying the Company's accounting policies arise in relation to the valuation of unlisted investments, the recoverability of loans, the recognition of deferred tax assets and the useful economic lives of property, plant and equipment . Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

(a) Valuation of unquoted equity investments
The fair values of the unquoted equity investments are determined in accordance with generally accepted pricing models based on recent known transactions where available but failing that valuation models based upon earnings multiples or discounted net assets are used. See note 11 for the net carrying value of the unquoted equity investments.

(b) Recoverability of loans and other receivables
The Company makes an estimate of the recoverable value of loans and other receivables. When assessing impairment of loans and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 expected credit loss approach to measuring expected credit losses which uses a mix of a 12 month expected loss allowance and a lifetime expected loss allowance for all loans and other receivables. See notes 11 and 12 for the net carrying amount of the receivables and associated impairment provision.

(c) Recognition of deferred tax assets
The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur, based on the Company's annual plans and future forecasts. Further information can be found in note 14.

(d) Restricted reserves
The Company has been gifted some assets with conditions attached that restrict their use. The value of such gifts are recognised at their fair value at the time of the gift and they, along with any income and expenditure generated by these assets, are reported through the restricted reserve rather than the revenue reserve. This restricted reserve is not available for distribution to the shareholders. Further information can be found in note 18.

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

III Critical accounting policies

(a) Property, plant and equipment and depreciation

Property, plant and equipment is stated at original cost less accumulated depreciation and any recognised impairment loss. Cost is purchase cost together with any incidental expense of acquisition.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

	%
Freehold land	-
Freehold buildings	4
Leasehold property	4
Equipment	10-33

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable.

(b) 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.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Instruments, which include loans and other receivables amounts due from group companies, that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets, which includes unquoted equity investments, are measured subsequently at fair value through profit or loss (FVTPL).

(ii) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all financial instruments which includes intercompany receivables, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

IV Other accounting policies

(a) Revenue

The Company's revenue is primarily derived from the single performance obligation to provide business premises under arrangements in which the rights of the services and the fulfilment of the Company's performance obligation occur at the same time.

Revenue from the provision of letting business premises and ancillary services is recognised when the Company has given occupancy of the premises and provided the ancillary services to the buyer and the buyer obtains the benefits from their occupancy of the lettable space and the services, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the services.

(b) Pension costs

The Company participates in the British Steel Pension Scheme (BSPS). The assets and liabilities of the scheme are held independently from the Company. For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the BSPS participating companies the net defined benefit cost. Therefore, the Company accounts for contributions to the scheme as if it were a defined contribution scheme.

For defined contribution schemes, the amount charged to the income statement account is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(c) Government and European grants

Government grants and other capital grants received and receivable are credited to deferred income and released to the income statement over the estimated useful life of the assets to which they relate. In the exceptional circumstances where grant funding is made available to enable the construction of a building which has a lower net realisable value than purchase price or production cost, the release of the grant to the income statement is accelerated up to a maximum of any impairment loss.

(d) Leases

As a lessee, the Company assesses if a contract is or contains a lease at the inception of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the commencement date, except for short-term leases of twelve months or less and leases for which the underlying asset is low value, which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

The associated right-of-use asset is capitalised equal to the lease liability and disclosed together with property, plant and equipment. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. Right-of-use assets are also subject to testing for impairment if there is an indicator for impairment.

(e) Investment property

Investment property is carried at fair value determined annually by external valuers and derived from current open market values. No depreciation is provided. Changes in fair value are recognised in the income statement.

E5. Notes to the financial statements

1. Revenue

	Restricted	Unrestricted	2023	2022
	£	£	£	£
Rental income and service charges	1,607	3,359,535	3,361,142	3,231,051

The Company's revenue all arose from one class of activity and all in the United Kingdom.

2. Operating costs

	Restricted	Unrestricted	2023	2022
	£	£	£	£
Costs by type:				
Employment costs (note 5)	-	1,973,105	1,973,105	1,627,920
Depreciation	-	711,379	711,379	694,401
Other operating charges	6,768	2,467,646	2,474,414	2,121,410
Movement in valuation of loans and receivables	-	108,849	108,849	150,336
Revaluation of equity investments	-	(523,109)	(523,109)	(3,667,408)
Revaluation of investment properties	-	-	-	29,305
	6,768	4,737,870	4,744,638	955,964

	2023	2022
	£	£
The above costs are stated after charging:		
Depreciation of property, plant and equipment (owned assets)	711,379	694,401
Operating lease payments: Hire of motor vehicles	40,060	29,375
Auditors' remuneration for audit services	6,900	6,900

There were no other fees payable to the auditors in respect of non-audit services for the year (2022: £nil).

3. Other operating income

	Restricted	Unrestricted	2023	2022
	£	£	£	£
Dividends received from equity investments	-	906,522	906,522	672,527
Income from loans and receivables	8,571	353,858	362,429	374,521
Monitoring and arrangement fees	6,000	94,995	100,995	45,544
Amortisation of grant income (note 15)	-	51,290	51,290	51,290
Assets gifted	116,500	-	116,500	-
	131,071	1,406,665	1,537,736	1,143,882

4. Directors emoluments

	2023	2022
	£	£
Aggregate emoluments	184,610	166,207

Retirement benefits are accruing to one director under a defined benefit pension scheme (2022: 1).

The emoluments of Mr. Jaques were paid by an intermediate parent company. His services to UKSE are of a non-executive nature and his emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of Mr. Jaques.

5. Employees

The average number of employees (including executive directors) by activity during the year was:

	2023 Number	2022 Number
Administration	**28**	27

The total employment costs of all employees (including directors) were:

	2023 £	2022 £
Wages and salaries	**1,573,289**	1,306,286
Social security costs	**187,572**	154,137
Other pensions costs (note 21)	**212,244**	167,497
	1,973,105	1,627,920

6. Finance income

	Restricted £	Unrestricted £	2023 £	2022 £
Group interest receivable	-	391,263	**391,263**	32,482
Other interest receivable	9,805	27,177	**36,982**	-
	9,805	418,440	**428,245**	32,482

7. Tax on profit

The total taxation in the income statement for the year can be reconciled to the accounting profit as follows:

	2023 £	2022 £
Current year tax	**-**	-

The current year tax can be reconciled to the accounting profit as follows:

	2023 £	2022 £
Profit before taxation	**582,485**	3,451,451
Profit multiplied by the standard corporation tax rate of 19% (2022: 19%)	**110,672**	655,776
Changes in unrecognised tax losses	**(21,781)**	(828,201)
Non-taxable income	**(300,564)**	(842,372)
Other permanent differences	**211,673**	1,014,797
	-	-

8. Investment property

	2023 £	2022 £
Fair value at 1 April 2022 / 2021	**263,000**	535,000
Disposals	**-**	(242,695)
Changes in fair value	**-**	(29,305)
Fair value at 31 March 2023 /2022	**263,000**	263,000

The investment properties are measured at fair value through profit and loss in accordance with IAS 40.

9. Property, plant and equipment

	Long leasehold buildings	Freehold land and buildings	Equipment	Total
	£	£	£	£
Cost as at 1 April 2022	13,385,972	12,414,459	274,810	**26,075,241**
Additions	99,000	108,842	65,135	**272,977**
Disposals	-	-	-	**0**
Cost as at 31 March 2023	13,484,972	12,523,301	339,945	**26,348,218**
Accumulated depreciation as at 1 April 2022	(9,295,075)	(8,840,272)	(223,621)	**(18,358,968)**
Charge for the year	(417,345)	(273,629)	(20,405)	**(711,379)**
Disposals	-	-	-	-
Accumulated depreciation as at 31 March 2023	(9,712,420)	(9,113,901)	(244,026)	**(19,070,347)**
Net book value as at 31 March 2023	**3,772,552**	**3,409,400**	**95,919**	**7,277,871**
Net book value as at 31 March 2022	4,090,897	3,574,187	51,189	7,716,273

10. Investments in subsidiaries

	2023	2022
	£	£
Cost and net book value at 1 April 2022 / 2021	-	2
Disposals	-	(2)
Cost and net book value at 31 March 2023 / 2022	-	-

11. Other investments

	Unquoted equity investments	Loans and receivables	**2023 Total**	2022 Total
	£	£	£	£
Carrying value as at 1 April 2022 / 2021	4,073,100	3,193,053	**7,266,153**	9,000,384
Additions	805,448	3,577,500	**4,382,948**	2,072,300
Disposal, repayments and recoveries	(574,909)	(1,322,506)	**(1,897,415)**	(7,699,674)
Revaluations	523,109	-	**523,109**	3,933,312
Amortisation	-	-	**0**	80,000
Movements in fair value	-	(79,343)	**(79,343)**	(120,169)
Carrying value as at 31 March 2023 / 2022	4,826,748	5,368,704	**10,195,452**	7,266,153

The unquoted equity investments are categorised within Fair Value Through Profit and Loss (FVTPL) in accordance with IFRS 9.

The fair values of the unquoted equity instruments are determined in accordance with generally accepted pricing models based on recent known transactions where available but failing that valuation models based upon earnings multiples or discounted net assets are used.

Those investments in which the Company holds 20% or more of the nominal value of any class of share are detailed below. All of these investments are in companies that are incorporated in the United Kingdom.

Company name	**Class of shares held**	**Proportion of nominal value of class held**
Abbeydale Food Group Ltd	Preferred ordinary	100%
ACM Bearings Ltd	Ordinary	34%
Antibody Analytics Ltd	Preferred ordinary (A class)	100%
Architectural Fabrications Ltd	Preferred ordinary	100%
Conversant Technologies Ltd	Preferred ordinary (A class)	30%
Covol Engineering Ltd	Preferred ordinary	100%
Design Air Holdings Ltd	Preferred ordinary	100%
Eurosource Ltd	Preferred ordinary	100%
Hartlepool Investments Ltd	Preferred ordinary	100%
KHT Investments Ltd	Preferred ordinary	100%
KHT Investments Ltd	Preference	100%

11. Other investments (continued)

Company name	Class of shares held	Proportion of nominal value of class held
Liquitherm Ltd	Preferred ordinary	100%
Magnetic Systems Technology Ltd	Preferred ordinary	100%
Marchbanks Group Ltd	Preferred ordinary	100%
Martello Tower Healthcare (UK) Ltd	Preferred ordinary	100%
Nutrivend Ltd	Preferred ordinary (B class)	100%
Pinnacle Re-Tec Ltd	Preferred ordinary	100%
Quipu TV Ltd	Preferred ordinary	100%
SB & AS Holdings Ltd	Preferred ordinary	100%
Surgical Dynamics Ltd	Preferred ordinary	100%
Tekfloor Ltd	Preferred ordinary	100%
Vectorcloud Holdings Ltd	Preferred ordinary	100%
Xander Doors Ltd	Preferred ordinary	100%

12. Trade and other receivables

	2023	2022
	£	£
Amounts due from group companies	**16,864,125**	18,470,748
Prepayments and accrued income	**79,238**	75,674
Other debtors	**66,806**	32,884
	17,010,169	18,579,306

Amounts owed by group undertakings are unsecured, earn interest at the Bank of England base rate, have no fixed date of repayment and are repayable upon demand.

13. Trade and other payables

	2023	2022
	£	£
Trade payables	**114,930**	97,289
Deposits held	**652,047**	632,713
Other taxation and social security	**10,315**	12,480
Other creditors	**3,098,880**	2,881,426
	3,876,172	3,623,908

14. Deferred tax

2023	Accelerated tax depreciation	Tax losses	Provisions	Total
	£	£	£	**£**
At 1 April 2022	(81,024)	70,341	10,683	-
(Charged)/credited to income statement	10,934	(251) -	10,683	-
At 31 March 2023	**(70,090)**	**70,090**	**-**	**-**

2022	Accelerated tax depreciation	Tax losses	Provisions	Total
	£	£	£	**£**
At 1 April 2021	(59,680)	51,561	8,119	-
(Charged)/credited to income statement	(21,344)	18,780	2,564	-
At 31 March 2022	**(81,024)**	**70,341**	**10,683**	**-**

A deferred tax asset is not recognised in respect of tax losses of £5,131,446 (2022: £900,330) due to the uncertainty of utilisation. These tax losses can be carried forward indefinitely.

15. Deferred income

The movement in UK Government, European Union and other capital grants during the year is shown below:

	2023	2022
	£	£
At beginning of year	**390,775**	442,065
Released to income statement (note 3)	**(51,290)**	(51,290)
	339,485	390,775

16. Called up share capital

The share capital of the Company is shown below:

Authorised	**2023**	2022
	£	£
12,000,000 (2022: 12,000,000) ordinary shares of £1 each	**12,000,000**	12,000,000

Allotted, called up and fully paid	**2023**	2022
	£	£
10,000,100 (2022: 10,000,100) ordinary shares of £1 each	**10,000,100**	10,000,100

No additional shares were issued during the financial year.

17. Capital contribution

The capital contribution to the Company is shown below:

	2023	2022
	£	£
Capital contribution	**11,150,000**	11,150,000

The capital contribution represents loans from TSUK. The loans are non-interest bearing and only become due for repayment in the event of the Company ceasing trading or entering a winding up. The agreement contains no obligations to deliver any cash or other financial assets and so, in accordance with IAS 32, the capital contribution is treated as equity.

18. Restricted reserve

Swinden Housing Association Ltd (SHA) gifted assets to UKSE of cash and investment properties to create a fund (SHA Fund) which is to be restricted for use in accordance with the terms of the deed of gift and may not be distributed to shareholders of the company. Accordingly a separate restricted reserve has been created with the value of the gifted assets and any income and costs incurred in the maintenance of the SHA Fund being allocated against it. During the year, SHA gave £116,500 in cash to UKSE.

19. Contingencies and commitments

	2023	2022
	£	£
Loans and investments in share capital committed but not paid	**725,000**	1,350,000

Outstanding commitments for future minimum lease payments under operating lease commitments relating to motor vehicles are as follows:

Within 1 year	**15,753**	14,052
Between 2 to 5 years	**36,983**	0
	52,736	14,052

Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years.

20. Ring fenced funds

The company has investment funds created with European Regional Development Fund (ERDF) grant support which were set up for investments in specific areas of the UK and ring fenced for use in accordance with the scheme rules. The total of these funds, included within current assets, as at the year end are as shown below:

	2023	2022
	£	£
Yorkshire and Humberside Enterprise Fund	**918,165**	1,070,832
North of England Venture Capital Fund	**176,837**	223,403
	1,095,002	1,294,235

21. Pensions

Defined contribution schemes

The Company participates in defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the year by the Company at rates specified by the rules of those plans.

Defined benefit scheme

The Company participates in the defined benefit British Steel Pension Scheme (BSPS), the assets and liabilities of which are held independently from the Company. For the purposes of IAS 19 ('Retirement Benefits'), there is no contractual agreement or stated policy for charging to the BSPS participating companies the net defined benefit cost. Therefore the Company accounts for contributions to the scheme as if it were a defined contribution scheme but there were no such contributions in the year. Further details of the BSPS and its accounting under IAS 19 are contained in the accounts of TSUK.

22. Financial risk management

Credit risk

The Company's financial assets are predominantly unsecured investments in unquoted small and medium sized companies, in which the Directors consider the maximum credit risk to be the carrying value of the asset. The portfolio is well diversified and so the credit risk is managed on an individual asset basis.

Liquidity risk

During the financial year the Company generated a cash deficit before administration costs of £1,178,000 (2022: surplus £6,117,000) from its investing activities and at the end of the year it had resources, via a facility with its parent company of £16.9m (2022: £18.5m). The Directors currently view liquidity risk as low.

Price risk

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Company does not hedge the market risk inherent in the portfolio but manages asset performance on an asset specific basis.

Currency risk

The Company invests in UK based companies and deals solely in sterling. Consequently there is no currency risk.

Interest rate risk

The Company invests almost entirely in fixed rate assets being funded solely from shareholders' funds. The Company does not actively manage its interest rate risk.

All loans and receivables held by the Company earn fixed interest rates and are being serviced by regular periodic interest and capital payments. The table below provides a breakdown of these assets by interest rate and the year in which the final repayment is scheduled to be made.

At 31 March 2023

	1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	**Total**
Interest rate	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
5.0%	44	41	-	-	360	**445**
5.5%	-	-	272	-	589	**861**
6.0%	-	-	-	76	181	**257**
6.5%	-	56	30	-	-	**86**
7.0%	14	223	106	480	186	**1,009**
7.5%	-	-	-	-	-	**-**
8.0%	188	269	60	669	480	**1,666**
8.75%	-	-	-	-	-	**-**
9.0%	31	64	29	425	-	**549**
9.5%	-	25	-	-	-	**25**
10.0%	15	-	-	-	168	**183**
11.0%	-	19	77	-	-	**96**
11.5%	-	-	-	-	192	**192**
	292	**697**	**574**	**1,650**	**2,156**	**5,369**

At 31 March 2022

	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	**Total**
Interest rate	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
5.0%	55	117	60	-	-	**232**
5.5%	-	-	-	388	-	**388**
6.0%	18	-	-	-	93	**111**
6.5%	2	11	85	-	-	**98**
7.0%	-	31	317	143	-	**491**
7.5%	-	-	-	-	-	**-**
8.0%	109	229	376	434	119	**1,267**
8.75%	17	-	-	-	-	**17**
9.0%	9	67	97	38	167	**378**
9.5%	-	-	36	-	22	**58**
10.0%	54	27	-	-	-	**81**
11.0%	5	-	27	40	-	**72**
11.5%						**-**
	269	**482**	**998**	**1,043**	**401**	**3,193**

23. Related party transactions

The Company has taken advantage of the exemption in FRS 101, which exempts wholly owned subsidiaries from disclosing related party transactions with other wholly owned subsidiaries within the same group and from disclosure of key management personnel information.

24. Ultimate and immediate parent company

Tata Steel UK Limited is the Company's immediate parent company by nature of its 100% interest in the share capital of the Company. Tata Steel Europe Limited, a company incorporated in England and Wales, is the company's intermediate parent company and the smallest group to consolidate these financial statements. Tata Steel Limited ('TSL'), a company incorporated in India, is the ultimate parent company and controlling party and is the largest group for which group financial statements are prepared. Copies of the Report and Accounts for TSL may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.