

Company Registration No. 2755939

Tata International Metals (UK) Limited

Annual Report and Financial Statements

for the year ended 31 March 2018



Tata International Metals (UK) Limited

Annual report and financial statements for the year ended 31 March 2018

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Tata International Metals (UK) Limited

Officers and professional advisers

Directors

Mr J Caouki
Mr AM Ponkshe
Mr R Mani

Registered office

30 Millbank
London
SW1P 4WY

Company Secretary

RSM Employer Services Limited
25, Farringdon Street,
London
EC4A 4AB
United Kingdom

Bankers

BNP Paribas
BNP Commercial Finance
ING Bank
Barclays Bank
HSBC Bank

Independent auditor

Ernst & Young LLP
Chartered Accountants
1 More London Place
London
SE1 2AF

Tata International Metals (UK) Limited

Strategic report

for the year ended 31 March 2018

Strategic report

The Directors present the Strategic report of Tata International Metals (UK) (the "Company") Limited for the year ended 31 March 2018.

The Company is one of the entities within the International business segment of 'Tata Group'. In this context the term "Tata Group" and "Companies of the Tata Group" or "Group companies" means companies in which Tata Sons Limited, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Tata Sons Limited, a company incorporated in India, is known as the "Parent Company" of the Tata Group.

The company is 100% subsidiary of Tata International Singapore Pte. Limited, which is 100% subsidiary of Tata International Ltd. which is a wholly owned subsidiary of Tata Sons Limited.

Principal activities

Tata International Metals (UK) Limited (the "Company") was incorporated on 14th October 1992 (name changed to Tata International Metals (UK) Limited on 12th November 2014) and is a wholly owned subsidiary of Tata Singapore Pte Limited.

The principal activity of the Company is the performance of worldwide trade in steel and related materials in the form of back to back contracts with sales mainly to customers in Europe, Africa and the UK, with purchases mainly from China, India and the UK. The Company will continue with these activities for the foreseeable future.

Business review

The results of the Company are as follows:

	<i>Year ended</i> 31 March 2018	<i>Year ended</i> 31 March 2017
	\$'000	\$'000
Profit for the financial year	<i>1,799</i>	<i>749</i>

Key performance indicators

	Year ended 31 March 2018	Year ended 31 March 2017
Return on sales ratio (%) *	0.83	0.40
Gross margin to sales ratio (%) **	3.51	2.71
Average sales price per metric tonne (mt) (\$)	631	489
Profit before tax (\$'000)	2,249	959

* Profit before tax for the year over revenue

** Gross profit for the year over revenue

Tata International Metals (UK) Limited

Business review (continued)

As shown in the income statement on page 8, the profit before tax for the year ended 31 March 2018, a key performance indicator for the business, has increased by 2.3 times in comparison to the prior year. Volume levels for the year 2017-18 (425 KMT) have been slightly lower than last year (488 KMT). However there has been an increase of 13% in turnover due to the average sales price, which has increased in 2017-18 to \$631 per metric tonne versus \$489 per metric tonne in 2016-17.

During prior year, the Company used to sell its products in the Middle East and South America which generated revenues worth \$32 million and \$21 million respectively. During the current year, customers in these countries are now being serviced by other group companies. Group management decided to service customers in South America and the Middle East by other group companies due to low cost financing available to those companies. This decrease in turnover was offset by an increase in business in Europe and Africa regions. Turnover from these regions was \$268 million in current year as against a Turnover of \$185 million in prior year.

The statement of financial position on page 9 of the financial statements shows the Company's financial position at the end of the financial year. The net assets have decreased marginally by 0.9% to 21,657 (2017: 21,858), principally due to change in various components of working capital.

Going concern

The Company's activities, together with the factors likely to affect its future development and position, are set out within this report. The Company plans to build on volume during 2018-19 through new market development. In the current year there has been an improvement to the margin achieved from sales in Western Europe and North Africa region. The Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future based on current plans and forecasts and the position of the Company, including the short term borrowing facilities referred to in note 16. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks and uncertainties

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Both the interest bearing assets and liabilities are cash balances that earn or accrue interest at either a fixed or floating rate. To minimise this risk, minimal cash and bank balances are held. A close monitoring is performed over Bank Balances on a daily basis.

Currency risk

The Company has transactions in currencies other than its reporting currency. The Company matches transaction exposures in advance where possible and also enters into forward currency contracts if necessary. Some of the Company's customers are in hyperinflationary economies in Egypt and Ukraine. To mitigate this risk the Company has adopted a policy of ensuring that it does not transact with these customers in the local currencies of those respective countries where they are located. The Directors have assessed the exposure to currency transaction risk as acceptable.

Customer Credit Risk

The Company has receivables with its customers globally, some of which are located in politically unstable regions. To reduce the risk of recoverability the Company has global insurance for a proportion of receivables and specific insurance for higher risk regions (Kenya, Uganda and Tanzania) for up to 90% of the value of the balances. Further the Company's customer in African countries are on Cash against documents terms. The Directors have assessed the exposure to recoverability risk to be acceptable on this basis.

Tata International Metals (UK) Limited

Liquidity risk

The Company actively maintains short-term debt finance that is designed to ensure that the Company has sufficient available funds to manage operations.

The Company utilises a facility for \$50 million (2017: \$90 million) comprising of allowance for letters of credit.. As at 31 March 2018, \$21.63 million (2017: \$43 million) was utilised on the \$50 million facility

The Company also utilises a disclosed invoice discounting facility of \$21 million in order to facilitate the growing demand for goods and services and to ensure that the company has sufficient available funds to manage operations. There has not drawn down on this facility as at 31 March 2018 (2017: \$1.3 million) on the invoice discounting facility.

Political Risk

The Company operates in various countries with differing political conditions. To mitigate political risks the company mainly enters into back to back purchase and sales transactions. The Directors have assessed the exposure to political risk to be acceptable.

Regulatory Risk

The Company has insignificant operations in Russia which are handled by its Branch office located there. All the contracts and invoicing to customers are routed via the Head office in London. The company does not foresee any significant regulatory risks for its operations in Russia.

Steel price risk

The Company matches customer and supplier contracts on a back-to-back basis in order to manage the risk from steel price volatility.

Future developments and subsequent events

As regards future developments, the Company envisages growth potential in North and West Africa regions. Management are actively targeting new markets and increasing penetration in existing markets within these regions. Besides growing sales in specific markets within Europe, it also plans to develop sales into North West & Eastern Europe. Also as a consolidation measure, the Company is planning to increase its' share of sales to key customers and purchases from key suppliers. In terms of product mix, the plan is to develop tubes, beams, merchant bars and tinplate into North Africa as well as flat products into West Africa.

The Company expects continuous growth in future years mainly in Africa and Europe.

The Company sells steel products in the European Union and is likely to be affected by Brexit. However, it is currently uncertain to the degree that Brexit may impact the Company. Brexit will continue to be an area of focus for the directors for 2018-19.

On 16th May, 2018, the Company filed with the Companies House, for a reduction in issued share capital from \$20,830,463 (£15,370,778) to \$10,898,493 (£7,997,378) at nominal value of £ 1.00 each which has been duly accepted by Companies House. The purpose of the reduction is to increase the Company's distributable reserves in order to pay dividend.

On 30th May, The Company approved a dividend of \$ 9.93 million. \$7.5 million was paid on 30th May and \$2.4 million was paid on 31st May.

By order of the Board



J Caouki

Director

29 June 2018

Tata International Metals (UK) Limited

Directors' report for the year ended 31 March 2018

Directors' report

The Directors present their report and audited financial statements of Tata International Metals (UK) Limited for the year ended 31 March 2018.

Information disclosed in the strategic report

The following information has been disclosed in the strategic report:

- Principal activities
- Business review
- Financial Instruments
- Principal risks and uncertainties including going concern; and
- Future developments

Dividends

The Directors have paid an interim dividend in the year ended 31 March 2018 of \$10 million (2017: \$10 million).

Directors

The Directors who held office during the financial year and up to the date of this report were as follows:

- Mr J Caouki
- Mr AM Ponkshe
- Mr R Mani

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements.

Political and charitable donations

The Company did not make any political or charitable donations during the year (2017: nil).

Branches

The company has a branch in Moscow, which is primarily for sales into Russia and surrounding countries of high end steel and Tata Steel products. In light of the recent sanctions against Russia by European Union (EU) and UK, the Company has assessed the risk arising out of such sanctions. The Company does not foresee any significant risks due to EU and UK sanctions on its business in Russia.

Director Indemnities

The Company has Director's & Officer's Indemnity Insurance to cover the risk of director liabilities globally.

Statement as to disclosure of information to auditor

Each Director has taken 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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the Company's accounts 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a 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 Companies Act 2006. They 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.

By order of the Board



J Caouki

Director

29 June 2018

Independent Auditor's Report to the Members of Tata International Metals (UK) Limited

Opinion

We have audited the financial statements of Tata International Metals (UK) Limited (the "Company") for the year ended 31 March 2018, which comprise the Profit and Loss account, Statement of Comprehensive Income, Balance Sheet, Statement of changes in equity, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 6, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Tata International Metals (UK) Limited (Continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities [set out on page 6], the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Independent Auditor's Report to the Members of Tata International Metals (UK) Limited (continued)

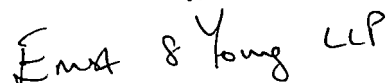
Auditor's responsibilities for the audit of the financial statements

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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Tareq Fancy (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 29 June 2018

Tata International Metals (UK) Limited

Income Statement

		Year ended 31 March 2018 \$'000	Restated* Year ended 31 March 2017 \$'000
	Notes		
Turnover	3	268,349	238,490
Cost of Sales		(258,935)	(232,017)
Gross profit		9,414	6,473
Distribution expenses		(1,875)	(3,714)
Administration expenses		(3,550)	(3,141)
Other income		170	460
Net foreign exchange gains/(loss)		(1,249)	1006
Operating profit		2,910	1,084
Finance charges			
Interest payable and similar charges	4	(661)	(125)
Profit on ordinary activities before taxation		2,249	959
Tax on profit on ordinary activities	9	(450)	(210)
Profit after tax		1,799	749

The above results relate wholly to continuing operations.

* The figures for March 2017 have been restated wherever necessary to align with current year classifications.

The Profit/(Loss) for the current year and the profit/(loss) for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented

Tata International Metals (UK) Limited

Statement of Financial Position

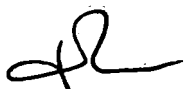
		As at 31 March 2018 \$'000	Restated* As at 31 March 2017 \$'000
	Notes		
Non-current assets			
Tangible assets	11	6	8
Current assets			
Stocks	12	3,949	6,487
Debtors: amounts falling due within one year	13	41,356	29,334
Prepayments	14	362	1,376
Other Assets	15	433	807
Corporation Tax Recoverable		-	78
Cash at bank and in hand		6,417	14,050
		<u>52,517</u>	<u>52,132</u>
Deferred Tax Liability	18	46	52
Current Liabilities			
Creditors: amounts falling due within one year	16	28,236	24,933
Loans Payable		-	1,342
Corporation Tax		212	-
Other Liabilities	17	2,372	3,955
		<u>30,820</u>	<u>30,230</u>
Net Current Assets		<u>21,697</u>	<u>21,902</u>
Total Assets less current liabilities and deferred tax liability		<u>21,657</u>	<u>21,858</u>
Net assets		<u>21,657</u>	<u>21,858</u>
Capital and reserves			
Called up share capital	19	20,830	12,830
Profit and loss account	20	3,431	11,632
Translation reserve	20	(2,604)	(2,604)
Total shareholder funds		<u>21,657</u>	<u>21,858</u>

The financial statements of Tata International Metals (UK) Limited, registered number 2755939 were approved by the Board of Directors on 29 June 2018 and signed on its behalf by:

* The figures for March 2017 have been restated wherever necessary to align with current year classifications.

J Caouki
Director

29 June 2018



Tata International Metals (UK) Limited

Statement of changes in equity

Attributable to the owners of the shares

	Called up share capital (Note 19) \$'000	Translation reserve (Note 20) \$'000	Profit and loss account (Note 20) \$'000	Total \$'000
Balance at 1 April 2016	2,830	(2,604)	20,883	21,109
Equity shares issued during the year	10,000	-	-	10,000
Dividend paid during the year	-	-	(10,000)	(10,000)
Profit and total comprehensive income for the year	-	-	749	749
Balance at 31 March 2017	<u>12,830</u>	<u>(2,604)</u>	<u>11,632</u>	<u>21,858</u>
Equity shares issued during the year	8,000	-	-	8,000
Dividend paid during the year	-	-	(10,000)	(10,000)
Profit and total comprehensive income for the year	-	-	1,799	1,799
Balance at 31 March 2018	<u>20,830</u>	<u>(2,604)</u>	<u>3,431</u>	<u>21,657</u>

Tata International Metals (UK) Limited

Notes to the financial statements

General Information –

Tata International Metals (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

1. Presentation of accounts and accounting policies

These financial statements have been prepared on the going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below:

Basis of preparation

These financial statements of Tata International Metals (UK) Limited are prepared in accordance with Financial Reporting Standard 101 'Reduced disclosure framework' (FRS 101). The balance sheet and income statements have been prepared using the IAS 1 format.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Tata International Metals (UK) Limited

Notes to the financial statements

1. Presentation of accounts and accounting policies (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Tata International Singapore Pte Ltd. Details of the parent in whose consolidated financial statements the company is included are shown in note 23 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to the following:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
 - (ii) paragraph 731 of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows);
 - (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third balance sheet);
 - (vii) 111 (cash flow statement information); and
 - (viii) 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

Tata International Metals (UK) Limited

Notes to the financial statements

Presentation of accounts and accounting policies (continued)

Where required, equivalent disclosures are given in the group accounts of Tata International Singapore Pte Ltd. The group accounts of Tata International Singapore Pte Ltd are available to the public and can be obtained as set out in note 231.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through its facilities of \$ 50 million comprising of allowance for letters of credit. The company also utilises a disclosed invoice discounting agreement of \$ 21.63 million in order to facilitate the growing demand for goods and services and to ensure that the company has sufficient available funds to manage operations.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

Stocks

Stocks comprise of steel stocks held in third party warehouse and in transit at the balance sheet date where the risks and rewards of ownership have not yet transferred to the customer and are stated at the lower of cost and net realisable value. Cost is measured as actual cost incurred for purchasing of the goods. Provision is made for obsolete, slow-moving or defective items where appropriate.

Tata International Metals (UK) Limited

Notes to the financial statements

1. Presentation of accounts and accounting policies (continued)

Taxation

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Turnover

Turnover, which excludes value added tax, represents the sales value of steel sold in the period. Turnover is recognised when the risk and rewards of the transactions are transferred and control of goods is passed to customer in accordance with the shipping terms stated in the sales contract.

Retirement benefits

The company operated a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Tata International Metals (UK) Limited

Notes to the financial statements

1. Presentation of accounts and accounting policies (continued)

Cash and cash equivalent

The company considers cash at bank highly liquid interest-bearing securities with maturities of three months or less to be cash and cash equivalents.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

The financial statements are presented in United States dollars, which is the Company's functional currency.

Financial instruments

The forward foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are relevant exchange rate.

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for customer which are billed in currency other than US dollar. At 31 March 2018, the outstanding contracts all mature within 6 months (2017: 6 months) of the year end.

Derivative Financial Assets

Forward currency contracts	Fair Value – Current Assets & Liabilities (USD'000)	Change in value in profit & loss account (USD'000)
31 March 2018	(1,143)	(1,113)
31 March 2017	(30)	248

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Tata International Metals (UK) Limited

Notes to the financial statements

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss; and amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and trade and other creditors

Loans and trade and other payables are initially recognised at fair value based on amounts exchanged, net of transaction, and subsequently at amortised cost. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other receivables

Trade and other receivables are initially recognised at fair value based on the amounts exchanged and are subsequently measured at amortised cost, less any provision for impairment.

Tata International Metals (UK) Limited

Notes to the financial statements

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Provisions for liabilities

Provision has been made for settlement of customer disputes for incorrect material supplied and storage charges that arose during the year and it's expected to be settled within 12 months of the balance sheet date.

Provisions for doubtful debts

Provision has been made for doubtful debts for amounts deemed not recoverable and not covered by insurance.

3. Revenue

An analysis of the Company's turnover is as follows:

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Continuing operations		
Sale of goods	268,349	238,490

Tata International Metals (UK) Limited

Notes to the financial statements

3. Revenue (continued)

Geographical market analysis of turnover by value is set out below:

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Africa	166,673	100,240
Asia	-	31,749
Europe (excluding EU)	23,310	38,541
European Union (excluding UK)	50,951	31,383
United Kingdom	27,415	15,767
Central/South America	-	20,810
	<u>268,349</u>	<u>238,490</u>

4. Finance charges

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Interest payable and similar charges	661	125
	<u>661</u>	<u>125</u>
Interest payable and similar charges		
Bank loans and overdrafts	353	60
	<u>353</u>	<u>60</u>
Interest payable to group companies	308	65
	<u>661</u>	<u>125</u>

Tata International Metals (UK) Limited

Notes to the financial statements

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Net foreign exchange gains	1,249	(1,138)
Depreciation of tangible fixed assets:		
Owned	4	2
Operating lease rentals	196	179
Cost of stock recognised as expense	(2,538)	174
Staff costs (see note 7)	2,330	1,836

6. Auditors remuneration

Fees payable to Ernst & Young and their associates for the audit of the company's 2018 annual accounts were \$45,495. In the previous year RSM UK Audit LLP and their associates were the auditors of the company and fees payable to them for the audit of the company's 2017 annual accounts were \$64,032. Fees payable to RSM UK and their associates in 2017 for other services (being company secretarial and advisory services) were \$30,089. Also fees payable to RSM UK Audit LLP and their associates for UK corporation tax computation were \$9,375.

7. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31 March 2018 Number	Year ended 31 March 2017 Number
Sales	10	12
Administration	7	6
	<u>17</u>	<u>18</u>

Their aggregate remuneration comprised:

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Wages and salaries	2,085	1,647
Social security costs	180	84
Other pension costs (see note 19)	65	105
	<u>2,330</u>	<u>1,836</u>

Tata International Metals (UK) Limited

Notes to the financial statements

8. Directors' remuneration and transactions

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Directors' remuneration		
Emoluments	547	336
Company contributions to money purchase pension schemes	14	13
	<u>561</u>	<u>349</u>
The number of directors who:	Number	Number
Are members of a money purchase pension scheme	<u>1</u>	<u>1</u>
Remuneration of the highest paid director:		
Emoluments	547	336
Company contributions to money purchase schemes	<u>14</u>	<u>13</u>

The director did not exercise any share options in the year or prior years and had no shares receivable under long-term incentive schemes (2017:\$ nil).

Directors' transactions

There were no transactions, other than remuneration, with directors during the year (2017: \$ nil).

Tata International Metals (UK) Limited

Notes to the financial statements

9. Tax on profit on ordinary activities

The tax charge comprises:

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Current tax		
UK Corporation tax	456	215
Adjustments in respect of prior years		
UK Corporation tax	-	4
Total current tax	456	219
Total deferred tax (see note 18)	6	(9)
Total tax on profit on ordinary activities	450	210

Tata International Metals (UK) Limited

Notes to the financial statements

9. Tax on profit on ordinary activities (continued)

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Profit on ordinary activities before tax	2,249	959
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	427	192
Effects of:		
Expenses not deductible/income not taxable for tax purposes	22	21
FRS101 transitional adjustment	7	-
Impact of rate changes	-	(9)
Deferred tax not recognised	(6)	-
Current tax exchange difference arising on movement between opening and closing spot rates		2
Adjustments to tax charge in respect of previous periods	-	4
Total tax charge for the year	450	210

Reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively.

The relevant deferred tax balances have been re-measured to 17%.

The company has no tax other than tax included above.

10. Dividend

During the year to 31 March 2018, a total dividend of \$10 million was approved and paid. \$8 million was approved and paid prior to capital injection at \$0.88 per share. A further dividend of \$2 million was paid post capital injection at \$0.14 per share. In the prior year, total dividend of \$10 million was approved and paid at \$6.03 per share prior to capital injection that was made in the year ending 31 March 2017.

Tata International Metals (UK) Limited

Notes to the financial statements

11. Tangible fixed assets

The company holds laptops and desktops the value of which is set out below:

	Year ended 31 March 2018 \$'000
Cost or valuation	
At 1 April 2017	13
Additions	2
At 31 March 2018	15
Depreciation	
At 1 April 2017	5
Charge for the year	4
At 31 March 2018	9
Net book value	
At 31 March 2018	6
At 31 March 2017	8

12. Stocks

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Finished goods and goods for resale	3,949	6,487
	3,949	6,487

13. Debtors: amounts falling due within one year

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Trade debtors	39,213	28,835
Amounts owed by group companies	2,143	499
	41,356	29,334

Tata International Metals (UK) Limited

Notes to the financial statements

14. Prepayments

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Advance to suppliers	97	1,209
Prepayments and accrued income	265	167
	<u>362</u>	<u>1,376</u>

15. Other current assets

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
VAT Receivables	433	807
	<u>433</u>	<u>807</u>

16. Creditors: amounts falling due within one year

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Trade creditors	5,433	11,669
Amounts owed to group companies	22,803	13,264
	<u>28,236</u>	<u>24,933</u>

17. Other Liabilities

	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Deferred revenue	137	-
Advances from customers	779	1,520
Accrued expenses	1,192	2,235
Claims payable	264	200
	<u>2,372</u>	<u>3,955</u>

Tata International Metals (UK) Limited

Notes to the financial statements

18. Deferred tax

Deferred tax is provided as follows:

	Deferred fair value of currency \$'000	Accelerated capital allowances \$'000	Tax losses \$'000	Total \$'000
Balance at 31 March 2017	55	(3)	-	52
Charge to profit and loss	6	-	-	6
Balance at 31 March 2018	49	(3)	-	46

19. Called up share capital

	31 March 2018		31 March 2017	
	No.	\$'000	No.	\$'000
Issued share capital of £1 each	15,370,778	20,830	9,138,793	12,830
	15,370,778	20,830	9,138,793	12,830

The company issued 6,231,985 shares of £1.00 each during the year on 20th April 2017 at nominal value for cash consideration. (2017: 7,481,127 issued).

20. Reserves

Profit and loss account

The profit and loss account represents cumulative profit and loss net of distributions to owners.

Translation reserve

As the company expects a significant amount of revenues and costs to be in US dollars, the board took the decision to change the reporting currency of Tata International Metals (UK) Limited to US dollars from 1 April 2015.

The change of the Company's functional and presentational currency was accounted for in accordance with IAS21, The Effects of Changes in Foreign Exchange Rates.

21. Pension and similar obligations

The Company operates a Defined Contribution scheme. The pension cost for the year to 31 March 2018 amounted to \$64,745 (2017: \$105,281).

22. Related party transactions

The company is 100% subsidiary of Tata International Singapore Pte. Limited, which is 100% subsidiary of Tata International Ltd. which is a wholly owned subsidiary of Tata Sons Limited and has taken advantage of the exemption available in FRS 101 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiaries of that group.

Tata International Metals (UK) Limited

Notes to the financial statements

	Sale of Goods/Services		Purchase of Goods/Services	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
	2018	2017	2018	2017
SIAM	-	-	-	-
BRITISH STEEL LIMITED	-	-	14,729	25,112
TATA STEEL IJMUIDEN BV	-	-	-	107
Tata Steel Ticaret A.S.	-	-	284	179
MONTANA BAUSYSTEME AG	682	1,596	-	-
Voltas Limited	-	286	-	-
SAB PROFIEL BV	1,818	4,531	-	-
TATA STEEL EUROPE	-	116	-	-
DEGELS GMBH	180	-	-	-
LAYDE STEEL SLU	-	541	-	-
TATA STEEL MAUBEUGE SAS	-	209	29	248
TATA STEEL UK LIMITED	27,297	4,874	5,878	8,084
ISSB Limited	-	-	-	4
UNITOL SA	696	524	-	-

Tata International Metals (UK) Limited

Notes to the financial statements

22. Related party transactions (continued)

	Amounts owed by Related Parties		Amounts owed to Related Parties	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
	2018	2017	2018	2017
TATA STEEL IJMUIDEN BV	-	-	-	-
Tata Steel Ticaret A.S.	-	-	61	94
MONTANA BAUSYSTEME AG	-	1,138	-	-
Voltas Limited	-	-	-	-
SAB PROFIEL BV	-	794	-	-
TATA STEEL EUROPE	-	-	-	-
DEGELS GMBH	128	52	-	-
LAYDE STEEL SLU	-	-	-	-
TATA STEEL MAUBEUGE SAS	-	-	-	-
TATA STEEL UK LIMITED	771	2,520	66	542
ISSB Limited	-	-	-	-
UNITOL SA	-	-	-	-

The above are all related parties of the company because they are all associates of Tata Sons Limited who own 100% of the company.

Sales of goods to related parties were made at the company's usual list prices. Purchases were made at market price.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

23. Ultimate parent undertaking and controlling party

Tata International Singapore Pte Ltd is the company's immediate parent company, which is registered in Singapore.

Tata International Limited, a company incorporated in India, is the intermediate parent company and Tata Sons Limited, also incorporated in India, the ultimate parent company. The directors consider there to be no single ultimate controlling party.

Tata International Singapore Pte Ltd is the smallest group, and Tata Sons Limited the largest group to consolidate these financial statements.

Copies of reports and accounts for Tata International Singapore Pte Ltd may be obtained from the Secretary, 3 Anson Road, Springleaf Tower #12-03, and Singapore 079909.

Tata International Metals (UK) Limited

Notes to the financial statements

Copies of the Report & Accounts for Tata International Limited may be obtained from the Secretary, Trent House, C-60, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

Copies of the Report and Accounts for Tata Sons Limited may be obtained from the Secretary, Tata Sons Limited, Bombay House, 24 Homi Mody Street, Fort, Mumbai 400 001.

24. Operating Lease Commitments

The company has an operating lease commitment for one year from the balance sheet date which amounts to \$48,914 (2017: \$33,073).

25. Capital Commitments

The company has capital commitment as at 31st March, 2018 which amounts to \$102,765 (2017: Nil) towards Navision 2017 implementation and license.

26. Subsequent Event

On 16th May, 2018, the Company filed with the Companies House, for a reduction in issued share capital from \$ 20,830,463 (£15,370,778) to \$10,898,493 (£7,997,378) at nominal value of £ 1.00 each which has been duly accepted by Companies House. The purpose of the reduction is to increase the Company's distributable reserves in order to pay dividend.

On 30th May, The Company approved a dividend of \$ 9.93 million. \$7.5 million was paid on 30th May and \$2.4 million was paid on 31st May.