

Company Registration No. 10185111

**British Steel Holdings Limited**

**Annual Report and Consolidated Financial Statements**

**For the period from 17 May 2016  
to 31 March 2017**



**British Steel Holdings Limited**  
**Annual Report and Consolidated Financial Statements**  
**For the period ended 31 March 2017**

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**Group Information**

**Directors**

P Bernscher  
D M Goldstein  
R Junck  
P R Martin  
SA Mason  
M J Meyohas  
N J Meyohas  
R C Perlhagen

**Company Secretary**

D P Hargreaves

**Registered office**

31 Hill Street  
London  
W1J 5LS  
United Kingdom

**Auditor**

Deloitte LLP  
Statutory Auditor  
Leeds  
United Kingdom

## Strategic Report

The Directors of British Steel Holdings Limited ("the Company") and its subsidiaries (together "the Group"), present their Strategic Report and audited consolidated financial statements for the period from 17 May 2016 to 31 March 2017.

The Company was incorporated on 17 May 2016 and acquired British Steel Limited and its subsidiaries on 1 June 2016 from Tata Steel UK Limited ("TSUK"). As such this report reflects the first consolidated performance of the Group.

The acquisition was such that any prior financing of the Group via TSUK was written off and the purchase was debt free of any financing obligations to TSUK, including the fact that the Group has not been a contributor to the 'old' British Steel defined benefits pension scheme and as such has no exposure to any liabilities that may relate to that scheme. The business has secured financing both from Olympus Steel, the parent entity, and asset based lending facilities generating more than sufficient headroom for the business to continue to grow.

The Group is part way through a restructuring and transformation plan launched in the prior year, but set to deliver through 2016/17. As such the reported performance in 2016/17 reflects the start of the benefits from the Group's transformation plans.

### Group background

British Steel – an old name but a new brand – was launched on 1 June 2016. The Group has an annual turnover of £1.2bn moving towards £1.4bn and is a leading European steel producer making circa 2.8 million tonnes of steel per annum.

The business includes an integrated steelworks, in Scunthorpe in the UK, with four blast furnaces (Mary, Bess, Anne and Victoria – the four queens) of which two are in operation, a BOS (Basic Oxygen Steel) route making 1,450 tightly controlled steel specifications, four casters manufacturing slabs, blooms and billets and three mills. Long steel products are also manufactured in the Company's rolling mills in Hayange (France) and Teesside and Skinningrove in the North East of England.

These core manufacturing facilities are complimented by a number of downstream distribution businesses and, over the past 12 months, the opening of new global sales offices in the USA, Germany, Spain, Italy, Sweden, Netherlands, Poland, Singapore and Taiwan.

The Company's product range includes sections, wire rod, special profiles and rail supplied to a wide range of demanding global markets.

### Principal activities

The principal activities are the manufacture and sale of steel throughout the world. The Group produces carbon steel by the basic oxygen steelmaking method at an integrated steelworks in the UK based in Scunthorpe. Long steel products are manufactured in rolling mills at Scunthorpe, Teesside, Skinningrove and Hayange (France), including rail, sections, profiles and wire rod. The Group owns TSP Projects whose principal activity is the consultancy, design and installation of infrastructure projects.

### Business review

The results of the Group are as follows:

	Period ended 31 March 2017 £000
Profit on ordinary activities before taxation	62,025
Corporation tax charge	(1,663)
<b>Profit for the period</b>	<b>60,362</b>

The Group's trading performance is shown in the Group's Consolidated Statement of Comprehensive Income on page 11.

The Group's Consolidated Statement of Financial Position on page 13 of the financial statements shows that total equity was £70,520,000 as at 31 March 2017.

The Company's Statement of Financial Position on page 15 of the financial statements shows that the total equity was £nil.

## Strategic Report (continued)

### Business review (continued)

The Directors regard sales, EBITDA and operating profit as their key performance indicators.

Sales during the period were £991m and EBITDA, prior to the net gain on bargain purchase and rationalisation costs, was £48m. Given this is the year of acquisition by the Company and the Group was part way through its restructuring plans there were a number of one off items in this year related to the acquisition and restructuring of the Group. Inclusion of these costs increases the reported EBITDA to £87m and a reported net profit of £60m inclusive of a net gain on bargain purchase of £50m. However the directors believe that the £48m underlying EBITDA is more reflective of the business post acquisition and fundamentally reflects the delivery of the first year of the Group's transformation plan.

The balance sheet shows the Group in a £71m net asset position at the end of the financial year and it continues to invest with £34m incurred on capital expenditure post acquisition and a net working capital position of £290m including cash and cash equivalent balance of £53m. Included in non-current liabilities are the pension liabilities related to TSP Projects and British Steel France Rail.

The Directors feel that in our first year of trading we have proved that a new steel company can, through a robust transformation programme, turn a negative position into a positive position. We have more work to do but we have made great progress under our new ownership.

Together with our shareholder we have introduced the principles of entrepreneurship, agility, flexibility and responsiveness into our organisation. Becoming increasingly entrepreneurial is enabling us to put more emphasis on ownership and responsibility.

In autumn 2016 we introduced a new organisation structure – five separate Business Units to help deliver the financial results we need. Each of these is now managed on their individual profit and loss performance and has clear focus on their own pertinent strategic goals. This approach enables us to operate them like mini businesses in their own right – it helps us to clearly understand better the challenges, the opportunities and the risks that each area of the business is facing.

Introducing the new business unit approach has also helped us to form a vision for British Steel. It is focused on three important levels:

- Firstly, locally through positive stakeholder engagement we want to become a leader of business and community re-development in the areas in which we operate;
- Secondly, in the UK we want to be the national champion in our chosen markets – recognised as the centre of competence for steel making and the partner of choice; and
- Thirdly, internationally we want to be a competitive exporter and the right strategic business partner.

### Our Business Units

#### Primary Products

This is the supplier of steel for the downstream divisions below as well as having an established market position for semi steel products. It is focused on operational efficiency, implementing a set of targeted actions across the whole cost base and further developing long-term strategic relationships in market segments and with customers for primary products that demand high quality BOS grade steels.

#### Construction

A supplier of Sections and other steel products into the UK and other markets. It seeks to develop an improved product range service offering which will allow the Company to offer added value to high value customers through delivering differentiated service and technical solutions.

#### Rail

A business with Rail mills in the UK and France, offering highly technical and complex service offerings into the UK, France and other markets. The Rail division continues to innovate and improve product and service offering, especially to key clients. It uses British Steel's expanding commercial footprint to continue growing sales in European and international markets and leverage quality IP to offer higher value specialist solutions in technically challenging markets.

## **Strategic Report (continued)**

### **Business review (continued)**

#### **Rod**

A supplier of rod product into the European market, expanding its technical range and capability of the business to support its continued growth into differentiated and automotive markets, focusing on its service and technical offering into the market.

#### **Special Profiles**

Continue to develop service and high quality offering with key customers and seek to expand and improve the product range, continuing to innovate with unique offerings into the market.

#### **Business transformation**

As mentioned at the time of acquisition the Company had already embarked on an extensive turnaround project. This started in 2015 when we announced the exit from the loss making plates market and closure of a coke oven to reduce the cost base and reduce future capital expenditure requirements. The transformation work continued through 2016/17 and is ongoing. It is based on 6 work streams targeting a radical improvement to the cost base and business performance.

The transformation programme includes reaching an agreement with the Trade Unions on a new Defined Contribution Pension Scheme (implemented June 2016) and 3% temporary 12 month salary sacrifice from all employees (implemented June 2016). No liabilities were carried forward from the previous British Steel Defined Benefit Pension Scheme.

The Group is operating in a challenging market environment but sees that the pace of improvement continues into 2017/18 with the new business structure supporting the long term strategic prospects of the Group and underpinning the further growth in profitability of the Group.

#### **Investments and acquisitions**

The Group continues to invest in the business to maintain the existing capabilities of the business while looking to identify targeted investment opportunities to grow the product range and capability of the business in line with the overall development strategy of the Group, either through organic growth or inorganic growth where it can enhance the footprint and strategic range of the business.

#### **Principal risks and uncertainties**

Competitive pressure in Europe is a continuing risk for the Group. The Group manages this risk by competitive pricing, management of product range and availability.

Following the vote in 2016 to leave the European Union (EU), there is considerable uncertainty in regards to interest rates, currency values, consumer disposable income and consumer spending. The Group continues to monitor the position of all the macro elements of the economy, both current and forecast. The Group will adapt any plans as necessary to mitigate any negative effects of the vote to leave the EU, but it is too early at the signing date of these financial statements for any specific plans to be developed or acted upon as the full effects of the vote will not be known for some time.

Financial instrument risks are covered under the Financial Instrument section.

The Group's ultimate parent company is Olympus Steel 2, a company incorporated in Jersey, the accounts of which are neither consolidated nor publicly available. The Directors consider Marc Meyohas, Nathaniel Meyohas and Storfond Limited the ultimate controlling parties of the Company.

The Group has access to considerable financial resources from across the Group. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Approved by the Board on *26 September* 2017 and signed on its behalf by:

  
**P Bernscher**  
Director

## **Directors' Report**

The Directors present their Annual Report and the audited consolidated financial statements for the period from 17 May 2016 to 31 March 2017.

### **Results and dividends**

The Group profit for the financial period amounted to £63,603,000. The Directors do not recommend a dividend payment. The Directors are optimistic for the future prospects for the group's businesses.

### **Directors**

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

P Bernscher (appointed 2 May 2017)  
D M Goldstein (appointed 17 May 2016)  
R Junck (appointed 2 May 2017)  
P R Martin (appointed 2 May 2017)  
S A Mason (appointed 2 May 2017)  
M J Meyohas (appointed 17 May 2016)  
N J Meyohas (appointed 17 May 2016)  
R C Perlhagen (appointed 17 May 2016)

The Company has indemnified its current Directors. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006 and are currently in force at the date of this Annual Report.

### **Working responsibility - Environment**

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. All the Group's manufacturing sites operate under the control of an Environmental Management System certified to ISO 14001. The Company actively looks for ways to improve its efficiencies, small and large. It carries out a robust programme of detailed energy audits. It also captures its waste gases and uses them to generate electricity and steam to power its manufacturing processes. Manufacturing facilities are operated to maximise the volume of by-product materials generated for use by others such as blast furnace slag in concrete and steel making slag in civil engineering. Where it is not possible to re-use our wastes internally, we operate recycling centres to reduce waste to landfill. The Company's sites are home to a wide variety of wildlife, including some rare and protected species such as great-crested newts, water voles, badgers and bats.

### **Working responsibility - Sustainability**

The Company has a record of developing innovative products and processes that contribute to a lower carbon future. Sustainability is embedded in our company ethos, and we are committed to leading the UK steel industry in this arena. It earns a 'very good' rating under the sustainability standard BES 6001 which recognises it makes its products using responsibly sourced materials. Achieving the BES 6001 standard certifies it can continually improve in energy efficiency, greenhouse gas emissions and waste management, and engage positively with the communities in which it operates.

### **Working responsibility - Communities**

The Company supports its local communities through a strategy known as the 'Building Stronger Communities programme'. This initiative, which includes in-kind support, brings sustainable benefits to large groups of individuals with themes covering learning and skills, health, safety and wellbeing and protecting and enhancing the environment.

## **Directors' Report (continued)**

### **Employees**

Details of the number of employees and related costs can be found in note 8 to the financial statements on page 33.

Within British Steel there are well established and effective arrangements at each business location for communication and consultation with trade union representatives to systematically provide employees with information on matters of concern to them. Well-developed policies and procedures operate in all parts of the Group for the purpose of consulting and negotiating with trade unions and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

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

### **Employee involvement**

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

### **Research and development**

The Group invests in research and development in order to bring about changes in product and process developments.

### **Slavery and human trafficking statement**

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or supply chains. A supplier visit will be carried out for any new, material supplier. Periodic reviews are then carried out by asking suppliers to resubmit a questionnaire response and evidence. The Board of British Steel has approved a statement setting out the measures taken by the Group during the financial period ending 31 March 2017.

### **Going concern**

The Directors expect that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future as both the Company and the Group have adequate net assets. The business retains a strong liquidity position, with significant headroom in its asset based lending facilities and a revolving cash facility from Olympus Steel. As part of this going concern review a number of sensitivities were undertaken around sales volumes, levels of gross margin and changes in exchange rates, to ensure the business would continue to be a going concern in more adverse market conditions.

The Directors' assessment of going concern considers the impact of the risks and uncertainties set out in the strategic report. After considering the impact of reasonably possible downside sensitivity analysis and after making enquiries and considering relevant uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis in preparing the annual financial statements.

### **Dividends**

There has been no interim dividend paid or declared in the period.



## Directors' Report (continued)

### Financial instruments

The principal financial instruments held by the Group are as follows:

- Cash, trade and other receivables and trade and other payables;
- Bank borrowings, including bank loans, term loans and overdrafts; and
- Investments in subsidiaries and other Group companies.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and exchange rate risk. The Board reviews and agrees the policies for managing each of these risks and they are summarised below.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of borrowings. At 31 March 2017, 100% of the Group's borrowings are on floating interest rates.

#### Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of secured and unsecured bank loans and overdrafts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding.

#### Exchange rate risk

Exchange rate risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's investments in foreign subsidiaries.

The Group manages its exchange rate risk by hedging transactions that are expected to occur within a maximum 12 month period for sales and purchases.

#### Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### Independent Auditor

Deloitte LLP were appointed as auditor during the period and have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 September 2017 and signed on its behalf by:

  
**P Bernscher**  
Director

## **Statement of Directors' Responsibilities in respect of the Annual Report and Consolidated Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial period. Under that law they have elected to prepare the Group financial statements in accordance with International Financial reporting Standards ("IFRSs") as adopted by the EU and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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 Group and parent company and of their profit or loss for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## **Independent Auditor's Report To The Members Of British Steel Holdings Limited**

We have audited the financial statements of British Steel Holdings Limited for the period from 17 May 2016 to 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual Reports and Consolidated Financial Statements set out on page 8 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the 10 month period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

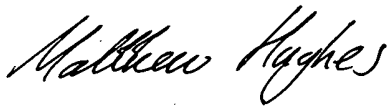
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

**Independent auditor's report to the members of British Steel Holdings Limited (continued)**

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



**Matthew Hughes BSc (Hons), ACA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom

26 September 2017

**British Steel Holdings Limited**  
**Annual Report and Consolidated Financial Statements**  
**For the period ended 31 March 2017**

**Consolidated Statement of Comprehensive Income**  
**for the period ended 31 March 2017**

	Note	Period from 17 May 2016 to 31 March 2017 £000
Revenue	4	990,554
Operating costs	5	(909,860)
<b>Operating profit</b>		<b>80,694</b>
<b>EBITDA before rationalisation costs, gain on bargain purchase, depreciation and amortisation</b>		<b>47,847</b>
Rationalisation costs	7	(11,085)
Depreciation and amortisation	5	(5,890)
Gain on bargain purchase	2	49,822
<b>Operating profit</b>		<b>80,694</b>
Finance income	10	10
Finance expense	11	(18,679)
<b>Profit before taxation</b>		<b>62,025</b>
Tax on profit	12	(1,663)
<b>Profit for the financial period attributable to owners of the Company</b>		<b>60,362</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains and losses in the year		(9,065)
Deferred tax on defined benefit pension schemes		7,235
		(1,830)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange rate movements on currency net investments		8,557
		8,557
<b>Other comprehensive income for the period</b>		<b>6,727</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>67,089</b>

**Consolidated Statement of Comprehensive Income (continued)**  
**for the period ended 31 March 2017**

	Note	Period from 17 May 2016 to 31 March 2017 £000
<b>Profit attributable to:</b>		
Owners of the parent		60,362
Non-controlling interest		-
		<u>60,362</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent		67,089
Non-controlling interest	3	-
		<u>67,089</u>

All results derive from continuing operations.

The notes on pages 19 to 55 form an integral part of these financial statements.

**British Steel Holdings Limited**  
**Annual Report and Consolidated Financial Statements**  
For the period ended 31 March 2017

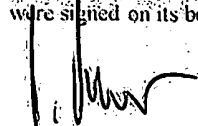
**Consolidated Statement of Financial Position**  
**at 31 March 2017**

	Note	31 March 2017 £000
<b>Non current assets</b>		
Property, plant and equipment	13	95,017
Deferred tax assets	15	28,820
Retirement benefit asset	23	1,001
		<u>124,838</u>
<b>Current assets</b>		
Inventories	16	303,480
Trade and other receivables	17	242,957
Prepayments	17	14,086
Cash and cash equivalents	18	52,952
		<u>613,475</u>
<b>Total assets</b>		<u><u>738,313</u></u>
<b>Current liabilities</b>		
Trade and other payables	19	(241,785)
Bank loans and overdrafts	20	(45,770)
Obligations under finance leases	21	(2,133)
Provisions	24	(34,046)
		<u>(323,734)</u>
<b>Non current liabilities</b>		
Bank loans	20	(227,788)
Obligations under finance leases	21	(20,204)
Deferred tax liabilities	15	(6,086)
Provisions	24	(41,092)
Retirement benefit obligations	23	(48,889)
		<u>(344,059)</u>
<b>Total liabilities</b>		<u><u>(667,793)</u></u>
<b>Net assets</b>		<u><u>70,520</u></u>
<b>Equity</b>		
Called up share capital	25	-
Retranslation reserve	25	8,557
Actuarial reserves	25	(1,830)
Retained earnings	25	60,362
		<u>67,089</u>
Non-controlling interest	3	3,431
<b>Total equity</b>		<u><u>70,520</u></u>

**Consolidated Statement of Financial Position (continued)**  
**at 31 March 2017**

The notes on pages 19 to 55 form an integral part of these financial statements.

These financial statements of British Steel Holdings Limited were approved by the Board of Directors on **26 September** 2017 and were signed on its behalf by:



**P Bernsclier**  
*Director*

**Company number: 10185111**



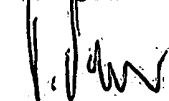
**Company Statement of Financial Position**  
**at 31 March 2017**

	Note	31 March 2017 £000
<b>Current assets</b>		
Trade and other receivables	17	171,353
<b>Total assets</b>		<u>171,353</u>
<b>Non current liabilities</b>		
Other interest-bearing loans and borrowings	20	(171,353)
<b>Total liabilities</b>		<u>(171,353)</u>
<b>Net assets</b>		<u>          </u>
<b>Equity</b>		
Called up share capital		<u>          </u>
<b>Total equity</b>		<u>          </u>

The notes of pages 19 to 55 form an integral part of these financial statements.

The Company reported a profit for the period from 17 May 2016 to 31 March 2017 of £nil.

These financial statements of British Steel Holdings Limited were approved by the Board of Directors on **26 September** 2017 and were signed on its behalf by:



**P Bernscher**  
*Director*

**Company number: 10185111**

**Consolidated Statement of Changes in Equity**  
**at 31 March 2017**

	Share capital £000	Retranslation reserve £000	Actuarial gains and losses £000	Retained earnings £000	Total equity £000
Balance at 17 May 2016	-	-	-	-	-
Total comprehensive income for the period					
Profit for the financial period	-	-	-	60,362	60,362
Actuarial gains and losses	-	-	(9,065)	-	(9,065)
Deferred tax on defined benefit pension schemes	-	-	7,235	-	7,235
Retranslation of foreign subsidiaries	-	8,557	-	-	8,557
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>8,557</u>	<u>(1,830)</u>	<u>60,362</u>	<u>67,089</u>

The notes on page 19 to 55 form an integral part of these financial statements.

**Company Statement of Changes in Equity  
at 31 March 2017**

	Share capital	Retained earnings	Total equity
	£000	£000	£000
<b>Balance at 17 May 2016</b>			
Total comprehensive income for the period			
Profit for the financial period			
<b>Total comprehensive income for the period</b>			
<b>Balance at 31 March 2017</b>			

The notes on pages 19 to 55 form an integral part of these financial statements.

**Consolidated Cash Flow Statement**  
**for the period ended 31 March 2017**

	Note	31 March 2017
		£000
<b>Cash flows (used in)/from operating activities</b>		
Profit on ordinary activities before taxation		62,025
Adjustments for:		
Depreciation, amortisation and impairment	13	5,890
Finance expense	11	18,679
Finance income	10	(10)
Negative goodwill released to income	2	(49,822)
Currency translation		3,068
Loss on disposal		1,708
Adjustment for pension funding		(1,800)
<b>Operating cash flows before working capital</b>		<b>39,738</b>
Decrease in trade and other receivables	17	43,142
Increase in inventories	16	(116,911)
Decrease in trade and other payables	19	12,143
Decrease in provisions	24	(9,107)
<b>Cash flows used in operations</b>		<b>(30,995)</b>
Income taxes paid		(4,110)
Interest paid		(1,452)
<b>Net cash used in operating activities</b>		<b>(36,557)</b>
<b>Cash flows for investing activities</b>		
Interest received	10	10
Acquisition of a business		22,285
Acquisition of plant, property and equipment		(34,427)
<b>Net cash used in investing activities</b>		<b>(12,132)</b>
<b>Cash flows from financing activities</b>		
Proceeds from new loan		105,725
Payment of finance lease liabilities		(3,808)
<b>Net cash from financing activities</b>		<b>101,917</b>
<b>Net increase in cash and cash equivalents</b>		<b>53,228</b>
<b>Cash and cash equivalents at 17 May 2016</b>		
Effect of exchange rate fluctuations on cash held		(276)
<b>Cash and cash equivalents at 31 March 2017</b>		<b>52,952</b>

The notes on pages 19 to 55 for an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

British Steel Holdings Limited ("the Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 10185111 and the registered address is 31 Hill Street, London, W1J 5LS, United Kingdom.

#### Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group"). The parent company financial statements present information about the Company as a separate entity and not about the Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period ended 31 March 2017 the company has decided to adopt FRS 101 and the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement and certain related party transactions. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. Where required, equivalent disclosures are given in the consolidated financial statements.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company.

The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 from the requirement to present a separate profit and loss account for the parent company.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these Group and parent company financial statements.

Judgements made by the Directors, in the applications of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next period are discussed below.

#### Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS 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.

Critical accounting judgements and the key sources of estimation uncertainty in applying the Group's accounting policies arise in relation to provisions created for rationalisation and related costs, environmental remediation and legal claims. 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.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation and legal claims are based on previous experience, third party advice and are reassessed on a regular basis. Judgement is required in assessing the scale costs and timing of those costs.

#### Critical accounting judgements

The following are critical judgments, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group Accounts.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **(a) Employment benefits**

The Group operates three defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Statement of Significant Accounting Policies, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated Statement of Comprehensive Income.

For all defined benefit pension schemes, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality.

#### **(b) Fair value adjustments**

Fair value adjustments for business combinations are determined in accordance with IFRS 3, 'Business Combinations'. The Group measures the assets and liabilities acquired through a business combination at fair value. Similarly, consideration (including consideration in shares), contingent consideration and any stake in the acquiree held prior to the business combination are also measured at fair value.

When significant influence is acquired in an associate, or joint control is acquired in a joint venture, British Steel also remeasures its share in the assets and liabilities in that associate or joint venture to its acquisition-date fair value. Where possible, fair value adjustments are based on external appraisals or valuation models. Valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life etc.

Fair value measurements that cannot be fully based on observable market parameters involve judgement that could affect estimated fair value.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year, are discussed below.

#### **(a) Provisions**

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and relevant those provisions are discounted to take into consideration the time value of money.

In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been made at the end of the reporting period. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

Provisions are also created for long term employee benefits that depend on the length of service, such as long service and sabbatical awards. The amount recognised as a liability is the present value of benefit obligations at the end of the reporting period, and all movements in the provision (including actuarial gains and losses or past service costs) are recognised immediately within the Income Statement.

The Group participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased at cost, and recognises a provision in relation to carbon dioxide quotas if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in a given period. Any surplus is only recognised once it is realised in the form of an external sale.

#### **(b) Impairment of property, plant and equipment**

At each reporting period end, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, based upon the Group's long term weighted average cost of capital ("WACC"), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **(c) Taxation**

Accruals for corporation tax contingencies require the Directors to estimate the level of corporation tax that will be payable based upon the interpretation of applicable tax legislation on a country-by-country basis and an assessment of the likely outcome of any open tax computations. All such accruals are included within current liabilities.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, estimates are made to establish whether deferred tax balances should be recognised, in particular in respect of non-trading losses.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

#### **Adopted IFRS not yet applied**

The following relevant IFRSs have been issued but are not yet effective and have not been applied by the Group in these financial statements. The Group are currently undertaking an exercise to assess the financial impact of their adoption:

- Annual Improvements to IFRSs – 2014-2016 Cycle;
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38;
- Equity Method in Separate Financial Statements – Amendments to IAS 27;
- Disclosure Initiative – Amendments to IAS 1;
- IFRS 16 Leases;
- IFRS 9 Financial instruments; and
- IFRS 15 Revenue from Contract with Customers

#### **IFRS 9 Financial instruments**

The new version of the standard incorporates a new expected loss impairment model and introduces limited amendments to the classification and measurement requirements for financial assets.

#### **IFRS 15 Revenue from Contract with Customers**

The new standard introduces the core principle that revenue must be recognised when the goods and services are transferred to the customer, at any transaction price. Any bundled goods or services that are distinct must be separately recognised.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **IFRS 16 Leases**

The new standard established principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees provide relevant information that faithfully represents those transactions. This standard replaces the following accounting standards:

- IAS 17: Leases;
- IFRIC 4: Determining whether an Arrangement contains a Lease;
- SIC-15: Operating Leases – Incentives; and
- SIC-27: Evaluating the Substance of Transactions in the Legal Form of a Lease

#### **Going Concern**

After making enquiries and taking into consideration the profitability and financial position of the Company and the Group, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors' assessment of going concern considers the impact of the risks and uncertainties set out in the strategic report. After considering the impact of reasonably possible downside sensitivity analysis and after making enquiries and considering this uncertainty, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies of the consolidated financial statements.

#### **Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### *Transactions eliminated on consolidation*

Intra-Group balances and transactions and any unrealised income and expenses arising from intra-Group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The results of overseas subsidiaries are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange difference arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.



## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **Classification of financial instruments issued by the Group**

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Loans and borrowings*

Debt issue costs are capitalised and netted against the associated proceeds. Debt is stated at the amount of net proceeds after deduction of finance costs. Finance costs are amortised to the Statement of Comprehensive Income over the term of the debt at a constant rate on the carrying amount.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **Derivative financial instruments and hedge accounting**

In the ordinary course of business the Group uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange. The instruments are confined principally to forward foreign exchange contracts. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately on profit or loss.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and also spares, against which impairment provisions are made where necessary to cover slow moving and obsolete items.

#### **Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Land and buildings	25 - 50 years
Fixtures and fittings	15 - 25 years
Plant and equipment	4 - 25 years

Assets in course of construction are not depreciated until the assets are available for their intended use.

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

#### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Inventories

Inventories of raw materials are stated at the lower of cost and net realisable value. Cost is determined using the 'first in, first out' method. Inventories of partly processed materials, finished products and stores are individually determined at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

#### Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets (at bid price) are deducted.

The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit assets.

The Group operates a defined benefit plan as follows:

The scheme is a final salary defined benefit plan that includes life assurance for members.

The scheme is managed both by trustees appointed by the sponsoring employers and by member nominated trustees. The trustees focus on risk management and undertake to be conversant with the required knowledge and understanding as specified in the Pensions Act 2004 and in line with the Pension regulator's code of practice as revised in November 2009.

The scheme is exposed to the normal risks affecting a defined benefit scheme. These include the risk of volatile equity markets, low gilt yields, currency risk and member longevity risk. These risks are managed using a prudently balanced asset allocation that includes equity, property, bonds and gilts. The trustees are positively engaged with advisors to de-risk the portfolio. This includes matching long term assets to liabilities and currency hedging a proportion of overseas assets.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **Employee benefits (continued)**

##### *Defined benefit plans (continued)*

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the Statement of Comprehensive Income when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

#### **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related costs can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

##### **(a) Sale of goods - Steel**

Revenue from these sales is recognised when a Group entity has delivered the steel to locations specified in the agreed terms and the customers have accepted the steel in accordance with the sales contract.

##### **(b) Rendering of services**

Revenue from processing services is recognised when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

#### **Expenses**

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **Notes to the financial statements (consolidated)**

### **1 Accounting policies (continued)**

#### **Expenses (continued)**

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### **Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes to the financial statements (continued)

### 2 Acquisitions of subsidiaries

#### Acquisitions in the current period

##### A Acquisition of British Steel

On 1 June 2016, the Company acquired all of the shares in British Steel Limited in exchange for a cash payment of £1 and the assumption of a liability of £15,000,000 payable to TSUK. The acquired business produces carbon steel by the basic oxygen steel making method for sale throughout the world. The acquisition provided the ownership of an established steel making business with an expertise in long steel and a vertically integrated supply network.

Whilst the acquired business was historically loss making and the seller, Tata, was publicly known as having the intention to sell its UK steel operations, a 'very credible' business plan was in place. The acquired business had been in profit for several months prior to the transaction and was expected by the acquirer to continue as such.

In the ten months to 31 March 2017 the business acquired contributed revenue of £990,554,000 and net profit of £56,931,000 to the consolidated net profit for the year.

##### Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

##### Acquiree's net assets at the acquisition date:

	Fair values on acquisition £000
Property, plant and equipment	47,835
Inventories	186,512
Cash and cash equivalents	26,849
Trade and other receivables	299,272
Deferred tax assets	18,785
Trade and other payables	(286,822)
Provisions	(86,835)
Amounts owed to related parties	(139,000)
Deferred tax liabilities	(5,205)
Net identifiable assets and liabilities	61,391
Consideration paid:	
Initial cash price paid	
Assumption of liability to seller	(15,000)
Negative goodwill	46,391

Negative goodwill arises on the acquisition because of the seller's desire for a quick sale in advance of the UK's referendum on EU membership in June 2016 and the assessed level of overcapacity in the sector.

##### Acquisition related costs

The Group incurred acquisition related costs of £7,700,000 related to due diligence and other advisory fees. These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

##### Acquired receivables

The fair value of acquired receivables was £299,272,000. The gross contractual amounts receivable are £307,396,000 and, at the acquisition date £8,124,000 of contractual cash flows were not expected to be received.

**B. Acquisition of Redcar Bulk Terminal**

On 23 March 2017, British Steel Limited acquired 50% of the shares in Redcar Bulk Terminal Limited from Tata Steel UK. As part of the British Steel Ltd acquisition by Olympus Steel, the transaction included the opportunity to acquire Tata's stake in RBT and this was concluded on 23 March 2017. The acquisition vehicle for the transaction was British Steel Limited and a nominal consideration, of £1, was paid for TSUK's stake in RBT.

The principal activity of Redcar Bulk Terminal Limited is to provide port users with a deep water terminal to handle a variety of bulk products including coal, coke, petroleum coke, granulated blast furnace slags, aggregates and scrap. Up to the point of SSI going into liquidation it was setup to service SSI with its raw material requirements. Since that point it has been trading on the basis of securing largely spot business in the shipping market.

The company has been fully consolidated into the Group from the date on which control was transferred to the Group. The acquisition did not have a material impact on the group's results for the period and would not have had a material impact on the group's results had the acquisition taken place at the start of the period. However the acquisition delivered a net profit of £3,431,000 through the release of negative goodwill to the profit and loss.

*Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities:

**Acquiree's net assets at the acquisition date**

	<b>Fair values on acquisition £000</b>
Property, plant and equipment	13,451
Inventories	56
Cash and cash equivalents	1,917
Trade and other receivables	686
Trade and other payables	(2,767)
Provisions	(6,481)
Net identifiable assets and liabilities	6,862
Consideration paid: Initial cash price paid	-
Fair value of NCI (50%) at acquisition date (note 3)	(3,431)
Negative goodwill	3,431

Negative goodwill arises on the acquisition because of the seller's desire for a quick sale in advance of the UK's referendum on EU membership in June 2016 and the assessed level of overcapacity in the sector.

*Acquisition related costs*

The Group incurred acquisition related cost of £nil.

*Acquired receivables*

The fair value of acquired receivables was £686,000. The gross contractual amounts receivable are £9,263,000 and at the acquisition date £8,577,000 of contractual cash flows were not expected to be received.

### 3 Non-controlling interest

Summarised financial information in respect of the Group's subsidiaries for which the group has a non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

#### **Redcar Bulk Terminal Limited**

	<b>31 March 2017</b>
	<b>£000</b>
Current assets	2,659
Non-current assets	13,451
Current liabilities	(9,248)
Non-current liabilities	
	<hr/> 6,862
Equity attributable to owners of the Company	3,431
Non-controlling interest	3,431
	<hr/> 6,862
Profit/ (loss) attributable to owners of the Company	-
Profit/ (loss) attributable to the non-controlling interests	-
Profit/ (loss) for the year	<hr/> <hr/> -

RBT's acquisition date of 23 March 2017 is sufficiently close enough to the Group's year end date of 31 March 2017 for the Directors to have concluded that the fair value of the assets and liabilities on the acquisition date can be fairly represented by the position as at 31 March 2017.



## Notes to the financial statements (continued)

### 4 Revenue

The Directors consider the manufacture and sale of steel throughout the world and the rendering of services to be the only lines of business.

	Period from 17 May 2016 to 31 March 2017 £000
Sale of goods	965,678
Rendering of services	24,876
	<u>990,554</u>

An analysis of the revenue by destination is show below:

	Period from 17 May 2016 to 31 March 2017 £000
United Kingdom	474,635
Europe	419,704
Rest of the world	96,215
	<u>990,554</u>

### 5 Operating costs

	Operating items before rationalisation costs, gain on bargain purchase, depreciation and amortisation £000	Rationalisation costs £000	Depreciation and amortisation £000	Gain on bargain purchase £000	Total £000
<b>Costs by type:</b>					
Raw materials and consumables	428,690	-	-	-	428,690
Maintenance costs	75,327	-	-	-	75,327
Other external charges (including fuel & utilities, hire charges and carriage costs)	190,058	-	-	-	190,058
Employment costs	173,520	-	-	-	173,520
Depreciation	-	-	5,890	-	5,890
Other operating items	75,112	11,085	-	(49,822)	36,375
	<u>942,707</u>	<u>11,085</u>	<u>5,890</u>	<u>(49,822)</u>	<u>909,860</u>

## Notes to the financial statements (continued)

### 6 Expenses and auditor remuneration

Period from 17 May  
2016 to 31 March  
2017  
£000

*Included in the consolidated statement of comprehensive income are the following:*

**Operating profit is stated after charging/ (crediting):**

Depreciation, amortisation and impairment	5,890
Impairment loss on trade receivables and prepayments	5,099
Net exchange rate gain	(8,557)
Impairment of inventory (Note 16)	46,800

**Operating lease rental charges:**

• Plant & machinery	4,729
• Leasehold property	2,872
Costs of research and development	1,737

**Audit related costs:**

Audit of these financial statements	241
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*Amounts receivable by the Company's auditor and its associates in respect of:*

Other assurance services	25
Audit of financial statements of subsidiaries of the Company	63

### 7 Rationalisation costs

Period from  
17 May 2016  
to  
31 March 2017  
£000

**Breakdown of rationalisation costs**

Separation costs	7,651
IT separation costs	3,434
	<u>11,085</u>

Separation costs of £7.7m represent legal and other professional fees associated with the separation from Tata Steel in June 2016.  
IT separation costs of £3.4m were one off costs incurred to enable the separation of British Steel IT systems from those of Tata Steel UK.

**Notes to the financial statements (continued)**

**8 Staff numbers and costs**

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	Number
Sales staff	114
Operational staff	4,571
Administrative staff	293
	<u>4,978</u>

The aggregate payroll costs of these persons were as follows:

	Period from 17 May 2016 to 31 March 2017 £000
Wages and salaries	148,826
Social security costs	20,373
Other pension costs	4,321
	<u>173,520</u>

The Company had no employees during the period.

**9 Directors' remuneration**

Mr D Goldstein, Mr M Meyohas, Mr N Meyohas and Mr Perlhagen did not receive any remuneration from the Group in respect of their services.

The remaining directors were appointed subsequent to the year end.

**Notes to the financial statements (continued)**

**10 Finance income**

	Period from 17 May 2016 to 31 March 2017 £000
Other interest receivable	10
Total finance income	<u>10</u>

**11 Finance expense**

	Period from 17 May 2016 to 31 March 2017 £000
Bank loans and overdrafts	12,733
Finance leases	3,555
Amortised loan fees	1,100
Movement of foreign exchange derivative	764
Net interest expense on defined benefit obligation	524
Other interest payable	3
	<u>18,679</u>

**12 Taxation**

*Recognised in the Consolidated Statement of Comprehensive Income*

	Period from 17 May 2016 to 31 March 2017 £000
Current tax expense:	
Income taxes	3,123
Adjustments in respect of prior period	-
Current tax expense	<u>3,123</u>
Deferred tax expense:	
Origination and reversal of timing differences	<u>(1,460)</u>
Total tax expense	<u>1,663</u>

## Notes to the financial statements (continued)

### 12 Taxation (continued)

#### *Tax recognised in Other Comprehensive income*

Period from  
17 May 2016 to  
31 March 2017  
£000

Actuarial gains and losses on defined benefit pension plan:

Current tax

Deferred tax movement in the year

(7,235)

(7,235)

#### *Reconciliation of effective tax rate*

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

Period from  
17 May 2016 to  
31 March 2017  
£000

Profit on ordinary activities before taxation

65,266

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK

13,053

Non-deductible expenses

470

Impact of overseas tax rates

1,212

Movement in unrecognised deferred tax

(2,460)

Non taxable income

(10,612)

Total tax

1,663

#### *Factors that may affect future tax charges*

Reductions have been made to the UK corporation tax rate to 19% effective from 1 April 2017 (substantively enacted on 26 October 2015), and to 17% effective 1 April 2020 (substantively enacted on 6 September 2016). The deferred tax asset at 31 March 2017 has been calculated at the rates at which the temporary differences are expected to unwind.

**Notes to the financial statements (continued)**

**13 Property, Plant and Equipment - Group**

	Land and buildings £000	Fixtures and fittings £000	Plant and machinery £000	Assets in course of construction £000	Total £000
<b>Cost:</b>					
At 17 May 2016	-	-	-	-	-
Acquisitions through business combinations	24,618	551	36,013	104	61,286
Other additions	191	15	11,642	21,681	33,529
Disposals	-	-	(3,340)	-	(3,340)
Exchange rate changes	1,884	54	5,840	22	7,800
Transfers	-	-	268	(268)	-
At 31 March 2017	<u>26,693</u>	<u>620</u>	<u>50,423</u>	<u>21,539</u>	<u>99,275</u>
<b>Depreciation and impairment</b>					
At 17 May 2016	-	-	-	-	-
Depreciation charge for the period	850	87	4,953	-	5,890
Disposals	-	-	(1,632)	-	(1,632)
At 31 March 2017	<u>850</u>	<u>87</u>	<u>3,321</u>	<u>-</u>	<u>4,258</u>
<b>Net book value:</b>					
At 17 May 2016	-	-	-	-	-
At 31 March 2017	<u>25,843</u>	<u>533</u>	<u>47,102</u>	<u>21,539</u>	<u>95,017</u>

## Notes to the financial statements (continued)

### 14 Investments in subsidiaries

The Company has the following investments in direct and indirect subsidiaries

Entity	Country of incorporation	% of ordinary shares held	Holding	Registered Office Address
British Steel Limited	England and Wales	100	Direct	Brigg Road, Scunthorpe, North Lincolnshire, DN16 1BP
The Steel Company of Ireland Limited	Ireland	100	Indirect	Goodbody Secretarial services Limited, International Financial Services Centre, North Wall Quay, Dublin 1
TSP Projects Limited	England and Wales	100	Indirect	Meridian House, The Crescent, York, Yorkshire, YO24 1AW
British Steel France Rail S.A.S	France	100	Indirect	164 rue de Marechal Foch, 57705 Hayange, France
British Steel France Rail Holdings S.A.S	France	100	Indirect	2 Av Du Pdt 7 Fitzgerald Kennedy 78100 Saint Gennain en Laye
British Steel America Inc	America	100	Indirect	1700 East Golf Road, Schaumburg, Illinois 60173, USA
British Steel GmbH	Germany	100	Indirect	17. Etage, Stadttor 1, Düsseldorf, Nordrhein, Westfalen, 40219, Germany
British Steel Italia S.r.l	Italy	100	Indirect	via Italia 44, Monza, Italy
Longs Steel Spain Interenational S.L	Spain	100	Indirect	Room 1811, Four Tower Business Area Regus Torre de Cristal, Paseo de la Castellana 259c 18 <sup>th</sup> Floor, Madrid, Spain
Longs Steel Singapore Pte. Ltd	Singapore	100	Indirect	#04-01 Harbour Front Tower One, Singapore 098633
Longs Steel Poland Sp. Zoo	Poland	100	Indirect	Silesia Business Park, Katowicc, Poland
Redcar Bulk Terminal Limited	England and Wales	50	Indirect	Lakenby Main Offices Lakenby Works, Middlesbrough, TS6 7RP

All the entities detailed in the table above are considered subsidiaries because all their shares are directly or indirectly owned by the Company and it has significant control over the activities of the subsidiaries.

#### Company:

	Shares in subsidiary undertakings	Total
	£000	£000
At 17 May 2016	<u>          </u>	<u>          </u>
At 31 March 2017	<u>          </u>	<u>          </u>

**Notes to the financial statements (continued)**

**15 Deferred tax assets and liabilities - Group**

	Assets 31 March 2017 £000	Liabilities 31 March 2017 £000	Total 31 March 2017 £000
Fixed asset temporary differences	16,490	(5,916)	10,574
Short term temporary differences	254	-	254
Defined benefit pension schemes	12,076	(170)	11,906
	<u>28,820</u>	<u>(6,086)</u>	<u>22,734</u>

*Movement in deferred tax during the period*

	Amounts arising on acquisition £000	Recognised in income £000	Recognised in OCI £000	Translation movement £000	31 March 2017 £000
Fixed asset temporary differences	10,500	74	-	-	10,574
Short term temporary differences	40	214	-	-	254
Defined benefit pension schemes	3,040	1,172	7,235	459	11,906
	<u>13,580</u>	<u>1,460</u>	<u>7,235</u>	<u>459</u>	<u>22,734</u>

The Group has not recognised deferred tax assets of £60m in relation to £350m of historic trading losses, and £27m in relation to £158m of fixed asset temporary differences. The Group does not consider that there is sufficient certainty of future profits against which to relieve these assets to support recognition on the Group's balance sheet. The recognition criteria is assessed annually and the deferred tax position amended accordingly.

**16 Inventories**

**Group**

	31 March 2017 £000
Raw materials and consumables	142,734
Work in progress	69,298
Finished goods	91,448
	<u>303,480</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £429.0m. The write-down of stocks to net realisable value amounted to £46.8m

There is no material difference between the value of stock included in the Statement of Financial Position and its replacement cost.



**Notes to the financial statements (continued)**

**17 Trade and other receivables**

	<b>Group</b>	<b>Company</b>
	<b>31 March 2017</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Trade and other receivables	234,464	-
Less: provision for impairment	(9,907)	-
Net trade and other receivables	224,557	-
Prepayments and accrued income	14,086	-
Other debtors	18,040	-
Derivative financial instruments (Note 30)	360	-
Amounts owed by Group undertakings	-	171,353
	<u>257,043</u>	<u>171,353</u>

The amount owed by Group undertakings to the Company represents the flow through of a shareholder loan from Olympus Steel to British Steel Limited via British Steel Holdings Limited. See note 20 for further details.

**Movement in the provision for impairment of trade receivables are as follows**

	<b>£000</b>
At acquisition	(12,134)
Charge for the period	(1,138)
Amounts written off as uncollectable	3,365
At 31 March 17	<u>(9,907)</u>

Trade receivables have been aged with respect to the payment terms specified in the terms and conditions associated with customers as follows:

	<b>Gross</b>	<b>Provision</b>	<b>Net position</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amount not yet due	203,168	-	203,168
Past due more than one month	17,846	(98)	17,748
Past due more than one month and less than three months	2,836	(48)	2,788
Past due more than three months and less than six months	1,052	(793)	259
Past due more than six months	9,562	(8,968)	594
At 31 March 17	<u>234,464</u>	<u>(9,907)</u>	<u>224,557</u>

**Notes to the financial statements (continued)**

**18 Cash and cash equivalents - Group**

	31 March 2017 £000
Cash and cash equivalents per Statement of Financial Position	52,952
Cash and cash equivalents per cash flow statements	52,952

**19 Trade and other payables**

	Group 31 March 2017 £000	Company 31 March 2017 £000
Trade payables	200,915	-
Bills of exchange payable	260	-
Current tax	251	-
Other taxes and social security costs	5,945	-
Other creditors	34,324	-
Interest payable	90	-
	<u>241,785</u>	<u>-</u>

**20 Other interest-bearing loans and borrowings**

31 March 2017	Current £'000	Non-current £000	Group £000	Non-current £000	Company £000
Bank loans and overdrafts	45,770	-	45,770	-	-
Secured bank loan	-	59,956	59,956	-	-
Other loan liabilities	-	167,832	167,832	171,353	171,353
	<u>45,770</u>	<u>227,788</u>	<u>273,558</u>	<u>171,353</u>	<u>171,353</u>

The bank loan and overdrafts balance represents a repayment agreement to finance raw material cargos both on the water and held within the Inningham Bulk Terminal (IBT) facility. The bank finances 70% of the value of raw material cargos in return for an interest payment on the facility balance of 3% + three month USD LIBOR rate.

The secured bank loan represents the draw down on a three year £165m asset backed lending facility. This is secured over inventory and trade receivables. Interest accrues at 3% + central bank rates.

The other loan liabilities are secured and comprise a £154m term loan payable to the parent company Olympus Steel Limited and is due to be repaid in November 2019. Interest accrues monthly at 9% + 6 month LIBOR for the first thirty six months and on a six monthly basis thereafter.

## Notes to the financial statements (continued)

### 20 Other interest-bearing loans and borrowings (continued)

Non-current loans are repayable as follows:

	Group 31 March 2017	Company 31 March 2017
	£000	£000
Due in two to three years	227,788	171,353

### 21 Finance lease liabilities - Group

Finance lease liabilities are payable as follows:

	Present value of minimum lease payments £000	Interest £000	Principal £000
Less than one year	3,585	1,452	2,133
Between one and five years	14,340	4,328	10,012
More than five years	11,652	1,460	10,192
	<u>29,577</u>	<u>7,240</u>	<u>22,337</u>

The above lease arrangement terminates in 2025. The lease is on a fixed repayment basis with a fixed interest rate of 6.5%. The finance lease liabilities are secured over the assets to which the lease relates.

The net book value of assets held under finance leases are £nil.

### 22 Capital commitments

The Group had contracted commitments at the Statement of Financial Position date amounting to £4,993,193 and authorised contracts not yet in place of £9,510,692.

## Notes to the financial statements (continued)

### 23 Employee benefits

#### Retirement benefits

The Group operates a number of post retirement provisions for its employees including defined benefit pension schemes and certain long service awards. The Group considers that the value of each of the retirement obligations is such that their disclosure should be separated, accordingly the disclosures below represent the material elements of the Group's obligations.

The Group's net obligations disclosed in the Statement of Financial Position are as follows:

	31 March 2017 £000
<b>Included within assets:</b>	
Corus Republic of Ireland Scheme	(1,001)
<b>Included within liabilities:</b>	
British Steel Rail France and British Steel Rail France Holdings schemes	29,389
TSP Projects scheme	19,500
Total net pensions liability	48,889

#### A. Corus Republic of Ireland Scheme

From April 2016, this defined benefit scheme ceased to be a multi-employer scheme, and the approved Deed of Cessation and Amendment segregated the element relating to the Group which was transferred on acquisition. The disclosures below are therefore made in relation to defined benefit obligations in accordance with IAS 19.

The most recent actuarial valuation of the scheme was prepared as at 31 March 2016 and has been updated to 31 March 2017 by a suitably qualified actuary. The report showed the fair value of the scheme's assets to be £18,276,000. At the balance sheet date the scheme showed an excess of assets over liabilities of £1,001,000. There were no contributions in the period and no accruals at the balance sheet date. The Group expects to pay two further deficit lump sum payments in 2017 and 2018 of £815,000, by which point the most recent funding agreement of 2009 will end.

The relevant disclosures in respect of the scheme are as follows:

	31 March 2017 £000
Total defined benefit asset	(18,276)
Net liability for defined benefit obligations (see following table)	17,275
Net defined benefit scheme surplus	(1,001)

Notes to the financial statements (continued)

23 Employee benefits (continued)

Movement in net defined benefit liability/(asset)

	Defined benefit obligation 31 March 2017 £000	Fair value of plan assets 31 March 2017 £000	Net defined benefit liability/ (asset) 31 March 2017 £000
Balance at 1 June 2016	15,789	(14,975)	814
Included in Profit or loss			
Interest cost/ (income)	258	(253)	5
Included in OCI			
Change in financial assumptions	139	-	139
Return on plan assets	-	(1,012)	(1,012)
Actuarial experience on obligations	(208)	-	(208)
Translation difference	1,931	(1,855)	76
Other			
Contributions paid by the employer	-	(815)	(815)
Benefits paid	(634)	634	-
Balance at 31 March 2017	<u>17,275</u>	<u>(18,276)</u>	<u>(1,001)</u>

Plan assets

	31 March 2017 £000
Cash and cash equivalents	47
Equity instruments	10,859
Debt instruments	7,132
Other assets	238
Total	<u>18,276</u>

Actuarial assumptions

	31 March 2017 %
<i>Weighted-average assumptions to determine benefit obligations</i>	
Discount rate	1.85
Future salary increases	1.60
Future pension increases	1.60

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.2 years (male), 23.7 years (female).

Future retiree upon reaching 65: 22.7 years (male), 24.9 years (female).

## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by nil percent.

Discount rate	a 1.6% discount rate would result in an increase in scheme liabilities of £785k
Inflation	a 1.35% inflation rate would result in a decrease in scheme liabilities of £715k

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Funding

The Group expects to pay £815,000 in contributions to its defined benefit plans in 2017.

### B. British Steel France Rail and British Steel France Holdings Schemes

The most recent actuarial valuation of the scheme, was prepared as at 31 March 2017 by a suitably qualified actuary. The valuation at the balance sheet date showed an excess of liabilities over assets of £29,389,000. Contributions made in the period were £365,000, and there were no accruals at the balance sheet date.

The total defined benefit obligation at 31 March 2017 comprises:

	£000
Retirement allowances	3,522
Supplementary retirement scheme	25,166
	<hr/>
Total pension benefits	28,688
Long service award	701
	<hr/>
Total employee benefits	29,389
	<hr/>

#### Retirement Allowances:

The French pension system is operated on a "pay as you go" basis. Each employee is entitled to receive a basic pension from the Social Security plus a complementary pension from defined contribution schemes ARRCO and AGIRC (management only for AGIRC). Moreover, retiring allowances (lump sums) must by law be paid by the employer when employees retire.

The allowances to be paid to British Steel France Rail's employees are defined by the Collective Bargaining Agreement of the Metallurgical Industry.

#### Supplementary pension scheme:

This Pension Scheme, set up by Arcelor, the Group to which British Steel France Rail belonged prior to acquisition by Corus was closed to new participants on 31 December 1989. This plan is not externally funded through an insurance Company. The administration of the plan is handled by a specific organisation IRUS (Institution de Retraite Usinor-Sacilor). The main features of the plan are the following:

Pensionable salary: Average final 12 months' salary

Pensionable seniority: Seniority at Arcelor, Corus, Tata & British Steel

## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

#### Supplementary pension scheme (continued):

##### - Pension benefit :

Number of years of service in between age 20 and 24 : 0.40% of pensionable salary per year

Number of years of service in between age 25 and 29 : 0.75% of pensionable salary per year

Number of years of service in between age 30 and 34 : 1.75% of pensionable salary per year

Number of years of service in between age 35 and 54 : 2.00% of pensionable salary per year

Number of years of service in between age 55 and 59 : 1.75% of pensionable salary per year

Number of years of service in between age 60 and 64 : 0.75% of pensionable salary per year

The total pension benefit is limited to 62% of the pensionable salary including Social Security pension, compulsory complementary pension schemes ARRCO/AGIRC Normal Retirement age:

To be at least 62 years of age with full eligibility under Social Security and 10 years of service

- Vesting : Benefit rights are not vested before age 62

- Early retirement pension eligibility : nil

- Increase for dependent child: 5% of pensionable salary per child (maximum: 15%)

- Survivorship : Life pension to spouse equal to 60% of deceased retiree's pension

#### Long Service Awards:

British Steel France Rail maintains a policy of paying lump sum gratifications upon anniversaries of employment as follows:

20 years of employment: 2% of the monthly salary per year of service

30 years of employment: 2% of the monthly salary per year of service

35 years of employment: 2% of the monthly salary per year of service

40 years of employment: 2% of the monthly salary per year of service

Based on an agreement from the tax authorities, these payments are free of social charges.

The relevant disclosures in respect of IAS 19 are as follows:

	<b>31 March 2017</b>
	<b>£000</b>
Total defined benefit liability	<b>29,389</b>
Net asset for defined benefit obligations (see following table)	<b>29,389</b>

## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

#### Movement in net defined benefit liability/asset

	Defined obligation 31 March 2017	Net defined benefit liability 31 March 2017
	£000	£000
<b>Balance at 1 June 2016</b>	<b>24,416</b>	<b>24,416</b>
Current service cost	304	304
Interest cost/(income)	219	219
Administrative expenses	122	122
<b>Included in OCI</b>		
Change in financial assumptions	668	668
Change in actuarial experience	1,557	1,557
Translation difference	3,068	3,068
<b>Other</b>		
Employer contributions	(965)	(965)
<b>Balance at 31 March 2017</b>	<b>29,389</b>	<b>29,389</b>

#### Actuarial assumptions

	31 March 2017 %
<i>Weighted-average assumptions to determine benefit obligations</i>	
Inflation	1.8
Discount rate	1.5
Future salary increases	2.8
Future pension increases	1.0

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 62-year old to live for a number of years as follows:

Current pensioner aged 62: 21.3 years (male), 25.63 years (female).

Future retiree upon reaching 62: 21.3 years (male), 25.63 years (female)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by nil percent.

	1.0%	2.0%
Discount rate		
Impact (£'000)	(31,528)	(27,461)



## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

#### Sensitivity analysis (continued)

In valuing the liabilities of the pension fund at £nil, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2017 would have increased by £nil before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The Group expects to pay the following in contributions to its defined benefit plans in the future.

Expected benefit payments over the next 10 years (amounts disclosed in Euros)

FY18:	€1,322,902
FY19:	€1,303,512
FY20:	€1,339,975
FY21:	€1,247,521
FY22:	€1,445,581
FY23-FY27:	€6,020,057

The weighted average duration of the defined benefit obligation at the end of the reporting period is nil years.

#### C. TSP Projects Limited Scheme

The most recent actuarial valuation of the scheme, was prepared as at 31 March 2016 and has been updated to 31 March 2017 by a suitably qualified actuary. The report showed the fair value of the scheme's assets to be £51,900,000. At the balance sheet date the scheme showed an excess of liabilities over assets of £19,500,000. There were contributions of £900,000 in the period, and no accruals at the balance sheet date.

The relevant disclosures in respect of the scheme are as follows:

	<b>31 March 2017</b> <b>£000</b>
Defined benefit asset	<b>(51,900)</b>
Total defined benefit asset	<b>(51,900)</b>
Total defined benefit liability	<b>71,400</b>
Net liability for defined benefit obligation (see following table)	<b>19,500</b>

## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

	Defined benefit obligation 31 March 2017 £000	Fair value of plan assets 31 March 2017 £000	Net defined benefit liability/ (asset) 31 March 2017 £000
<b>Balance at 1 June 2016</b>	59,300	(47,500)	11,800
<b>Included in Profit or loss</b>			
Current service cost	100	-	100
Interest cost/ (income)	1,600	(1,300)	300
Administrative expenses and taxes	-	200	200
<b>Included in OCI</b>			
Change in financial assumptions	12,100	(4,179)	7,921
Return on plan assets			
<b>Other</b>			
Contributions paid by the employer	-	(821)	(821)
Benefits paid	(1,700)	1,700	-
<b>Balance at 31 March 2017</b>	<u>71,400</u>	<u>(51,900)</u>	<u>19,500</u>

<b>Plan assets</b>	<b>31 March 2017 £000</b>
Growth assets	34,000
Debt instruments	17,500
Other Asset	400
<b>Total</b>	<u>51,900</u>

### Actuarial assumptions

<i>Weighted-average assumptions to determine benefit obligations</i>	<b>31 March 2017 %</b>
Discount rate	2.50
Inflation	3.05
Future pension increases	2.05

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.2 - 23.6 years (male), 23.0 - 24.8 years (female).

Future retiree upon reaching 65: 23.6 - 25.9 years (male), 25.4 - 27.2 years (female).

## Notes to the financial statements (continued)

### 23 Employee benefits (continued)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by the amounts set out below.

	Sensitivity	Approximate change in obligation £000
Discount rate	-1.0%p.a	14,800
Inflation	+0.5% p.a	7,000
Life Expectancy	+1 year	2,300

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Funding

The Group expects to pay a further £900,000 in contributions to its defined benefit plans in 2017.

#### Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current period was £3,511,000.

**Notes to the financial statements (continued)**

**24 Provisions - Group**

	<b>Rationalisation costs (i)</b>	<b>Environmental (ii)</b>	<b>Other provisions (iii)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts arising from acquisition	11,004	24,751	57,561	93,316
Provisions made	-	938	188	1,126
Provisions utilised in the period	(6,379)	-	(958)	(7,337)
Provisions released during the period	(2,607)	-	(9,716)	(12,323)
Unwinding of discount	111	-	245	356
Balance at 31 March 2017	<u>2,129</u>	<u>25,689</u>	<u>47,320</u>	<u>75,138</u>
Non-current				41,092
Current				34,046
				<u>75,138</u>

- (i) Rationalisation costs include redundancy provisions £0.2m and property related items of £1.9m. The provisions are expected to be utilised by 2018 and 2022 respectively.
- (ii) Environmental provisions primarily represents the costs of disposing of some waste by-products at the Scunthorpe site including landfill taxes. Due to the nature of this provision, the timing of any settlement is uncertain.
- (iii) Other closing provisions include £37m in respect of an onerous legacy freight contract. The deal commits British Steel to paying freight costs greater than the market rate until the end of 2021 and will be utilised over that period. The remaining £10.3m relates to the dilapidations on leased property. Dilapidations of £6.5m related to the Redcar Bulk Terminal Limited leased properties and will be utilised by the end of the lease date in 2033. Dilapidations of £3.8m relating to downstream distribution leased properties with a weighted average utilisation of 4.2 years.

**Notes to the financial statements (continued)**

**25 Capital and reserves**

<b>Share capital</b>	<b>2017</b>
Authorised, allotted, called up and fully paid	<b>£</b>
1 ordinary share of £1 each	<b>1</b>
<b>Reserves</b>	
	<b>31 March 2017</b>
	<b>£'000</b>
Actuarial gains and losses in the period	<b>(9,065)</b>
Deferred tax on defined benefit pension schemes	<b>7,235</b>
	<b>(1,830)</b>
Exchange rate movements on net investments	<b>8,557</b>
Retained earnings	<b>60,362</b>
Total	<b>67,089</b>

The actuarial reserve records cumulative actuarial gains and losses in line with the actuarial reports provided by our third party Independent actuaries net of associated deferred tax. The pension deferred tax has been calculated in line with relevant tax standards. The retranslation reserve records the cumulative exchange rate movements on net investments in subsidiaries where the functional currency is not in GBP, these such companies are the Steel Company of Ireland, British Steel France Rail S.A.S and British Steel France Rail Holdings S.A.S. The retained earnings reserve records cumulative retained profits as reported in the profit and loss account.

**26 Immediate and ultimate parent entity and controlling party**

The Company is a wholly-owned subsidiary undertaking of Olympus Steel Limited (the immediate parent company), a company incorporated in Jersey.

The Group's ultimate parent company is Olympus Steel 2 Limited, a company incorporated in Jersey, the accounts of which are neither consolidated nor publicly available. The largest and smallest Group of which the results of the Company are consolidated is that headed by British Steel Holdings Limited. The Directors consider Marc Meyohas, Nathaniel Meyohas and Storford Ltd to be the ultimate controlling parties of the Company.

**27 Related parties**

During the period ended 31 March 2017, British Steel Limited was charged a quarterly management fee by Greybull Capital LLP. Greybull's partners are Marc Meyohas, Nathaniel Meyohas and Richard Perlhagen, who are British Steel Holdings directors. The fees paid to Greybull Capital LLP in the period amounted to £3m.

During the period ended 31 March 2017, British Steel Limited entered into four separate foreign exchange transactions with Monarch Airlines Limited. Monarch Airlines Limited's ultimate controlling parties include Marc Meyohas and Nathaniel Meyohas who are directors of British Steel Holdings Limited. British Steel sold a total amount of Euros 28.5m to Monarch Airlines and received £22.0m. There were no outstanding arrangements at the year end.

## Notes to the financial statements (continued)

### 27 Related parties (continued)

The compensation of key management personnel, considered to be individuals who were appointed directors subsequent to the year end, is set out in the following table:

	2017 £000
Key management remuneration including social security costs	1,310
Company contributions to money purchase schemes	4
Total compensation	<u>1,314</u>

### 28 Post balance sheet events

There are no significant events since the year end.

### 29 Operating leases

Future minimum lease payments under non-cancellable operating leases rentals are payable as follows:

	Group 31 March 2017 £000	Company 31 March 2017 £000
Less than one year	8,217	-
Between one and five years	37,027	-
More than five years	55,943	-

Operating lease payments represent rentals payable by the Group in respect of the jetty at Immingham Bulk Terminal. The lease terminates in 2027 (with the right to renew for a further two periods of five years on substantially the same terms). The charges are fixed until 2020 at which point they will move according to the relative change in the CPI.

## **Notes to the financial statements (continued)**

### **30 Financial instruments**

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### **Capital risk Management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balances. The capital structure of the Group consists of net debt (borrowings disclosed in note 20 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings and disclosed in note 25). The Group is not subject to any externally imposed capital requirements.

#### **Financial risk management objectives**

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### **Principal financial instruments**

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents
- Borrowings

The carrying value of these financial instruments is considered to approximate their fair value.

#### **Fair values**

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.

The Company's financial instruments are all classified as Level 2 in the fair value hierarchy. The Company's derivative financial assets and liabilities are categorised as Level 2 and their fair value is estimated by disclosing the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

## Notes to the financial statements (continued)

### 30 Financial instruments (continued)

The following table details the Group's financial instruments held at fair value:

	2017 £000
<b>Financial assets</b>	
Cash	52,952
Derivative financial assets (note 17)	360
Trade and other receivables	242,597
	<hr/> 295,909 <hr/>
<b>Financial liabilities</b>	
Trade and other payables	241,534
Bank and other loans	273,558
Finance lease obligations	22,337
	<hr/> 537,429 <hr/>

Derivative financial instruments used by the Group represent forward exchange contracts. The Company does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The concentration of the Group's credit risk is considered by counterparty.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors. The Board manages liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium term working capital projections.



**Notes to the financial statements (continued)**

**30 Financial instruments (continued)**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
31 March 2017	%	£'000	£'000	£'000	£'000
Non-interest bearing	-	241,534	-	-	241,534
Finance lease liability	6.5	3,585	14,340	11,652	29,577
Variable interest rate instruments	7.3	49,746	279,329	-	329,075
	7.2	294,865	293,669	11,652	600,186

**Foreign currency risk**

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 March 2017	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	25,562	16,000	11,390	52,952
Trade and other receivables	179,717	62,880	-	242,597
Secured bank loans	(273,558)	-	-	(273,558)
Trade and other payables	(216,221)	(25,313)	-	(241,534)
Finance lease obligations	(22,337)	-	-	(22,337)
Forward exchange contracts	-	360	-	360
Balance sheet exposure	(306,837)	53,927	11,390	(241,520)