Cogent Power Limited

Annual Report and Financial Statements for the year ended 31st March 2017

Contents

A. Directors and advisors

Directors

H Adam
P D Clements
J M Regan
M V Cichuta
R Harper

Secretary and registered office

Lisa Griffiths
Orb Works
Stephenson Street
Newport
NP19 0RB

Company Number

2642030

Auditor

Deloitte LLP
Cardiff

B. Strategic report

Introduction

The directors have pleasure in presenting the strategic report of Cogent Power Limited ("Company") for the year ended 31st March 2017.

Principal activities

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

The principal activity is that of a holding company for the Cogent Power sub group. There has not been any significant change in the Company's principal activity in the period under review.

Going Concern

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

Business review

TSE manages its operations on a divisional and sector basis. For this reason the Company's directors do not believe that the key performance indicators of the Company (or discussion thereof) are necessary or appropriate for an understanding of the development, performance or position of the business. The performance of TSE, which includes the Company, is discussed in the TSE Annual Report, which does not form part of this report.

On the 22nd August 2016 Cogent Power Inc, Canada and Cogent Power Incorporated, USA sold 100% of the shares representative of the capital stock of Cogent Power S.A de C.V., Mexico to Tata Steel International (Americas) Holding Inc and Tata Steel International (Americas) Inc., for a fair value consideration of MXN$ 50,000.00 (CAD$3,580).

The company participates in the British Steel Pension Scheme. On the 31st March 2017, the scheme was closed to future accrual and replaced by a Personal Retirement Pension Scheme (PRPS), which is a defined contribution scheme.

Principal risks and uncertainties

The Company is financed by its immediate parent company and has no third party debt. It therefore has no third party debt exposure.

Employees

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

Future developments and subsequent events

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

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

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

For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the

adjustments that would result if the Company were unable to continue as a going concern.

Approved by the board of directors and signed on behalf of the board

J M Regan
Director
Registered Office:
Orb Works
Stephenson Street
Newport
NP19 0RB

XX June 2016

C. Directors' report

The Board

The directors of the Company are listed on page 2.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of liabilities they may incur in relation to the affairs of the Company. In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers' liability insurance.

Result and dividends

The results of the Company show a pre-tax loss of £(15)k (2016: loss of £(120)k. The directors do not recommend the payment of a final dividend (2016: £nil).

Statement as to disclosure of information to the Company's auditor

Each director in office at the date of this directors' report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed as auditor to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM. Deloitte Haskins & Sells in India is the auditor of the ultimate parent company, TSL.

Approved by the board of directors and signed on behalf of the board

J M Regan
Director
Registered Office:
Orb Works
Stephenson Street
Newport
NP19 0RB

XX June 2016

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 101 *'Reduced Disclosure Framework'* and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

E. Independent auditor's report to the members of Cogent Power Limited

We have audited the financial statements of Cogent Power Limited for the year ended 31st March 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Capital and Reserves, the Presentation of Accounts and Accounting Policies and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 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 Directors' Responsibilities Statement, 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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course

of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 *'Reduced Disclosure Framework'*; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

E. Independent auditor's report to the members of Cogent Power Limited (continued)

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made under I Basis of Preparation in the Presentation of Accounts and Accounting Policies concerning the Company's ability to continue as a going concern.

The uncertainty over the completion of the restructuring or potential sale of the Company's parent, Tata Steel UK Limited and the provision of working capital support to Tata Steel UK Limited along with the other matters set out in the Presentation of Accounts and Accounting Policies indicate the existence of a material uncertainty which may cast significant doubt over the ability of the Company to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Andrew Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
XX June 2016

F1. Profit and loss account

For the financial year ended 31st March

	Note	**2017** **£'000**	2016 £'000
Turnover		**979**	701
Gross profit		**979**	701
Administrative expenses	1	**(994)**	(821)
Loss on ordinary activities before taxation		**(15)**	(120)
Taxation (charge)/credit	5	**-**	-
Loss for the financial period		**(15)**	(120)

All references to 2017 in the Financial Statements, the Presentation of Accounts and Accounting Policies and the related Notes 1 to 13 refer to the financial year ended 31st March 2017 or as at 31st March 2017 as appropriate (2016: the financial year ended 2nd April 2016 or as at 2nd April 2016).

Statement of comprehensive income

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

Notes and related statements forming part of these accounts appear on pages 14 to 17.

F2. Balance sheet

As at 31st March	Note	2017 £'000	2016 £'000
Fixed assets			
Investments in subsidiary and fellow group undertakings	6	**27,167**	27,167
Current assets			
Debtors: amounts falling due within one year	7	**19,607**	19,130
Creditors: amounts falling due within one year	8	**(3,542)**	(3,050)
Net current assets		**16,065**	16,080
Total assets less current liabilities		**43,232**	43,247
Financial instruments	9	**(30,000)**	(30,000)
Net assets		**13,232**	13,247
Capital and reserves			
Called up share capital	10	**42,667**	42,667
Profit and loss account		**(29,435)**	(29,420)
		13,232	13,247

The financial statements on pages 9 to 16 were approved by the board of directors and signed on its behalf by:

J M Regan
XX June 2016
Cogent Power Limited
Registered No: 2642030

Notes and related statements forming part of these accounts appear on pages 14 to 17.

F3. Statement of changes in capital and reserves

	Share capital	Profit and loss account	**Total capital & reserves**
	£'000	£'000	**£'000**
Balance as at 2nd April 2016	42,667	(29,420)	**13,247**
Loss for the year		(15)	**(15)**
Balance as at 31st March 2017	**42,667**	**(29,435)**	**13,232**

Notes and related statements forming part of these accounts appear on pages 14 to 17.

F4. Presentation of accounts and accounting policies

I Basis of preparation

Cogent Power Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006. The functional and presentational currency of the Company is sterling.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets (including intangible and tangible assets), presentation of a cash flow statement, standards not yet effective, related party transactions with Tata Steel group companies and the requirement to present an opening balance sheet at the date of transition. Where relevant, further disclosure exemptions have been taken including the requirement to provide disclosures on financial instruments on the basis that equivalent disclosures have been given in the group accounts of Tata Steel UK Holdings Limited (TSUKH). The group accounts of TSUKH are available to the public and can be obtained as set out in Note 12.

The Company has elected to measure its assets and liabilities at the previous GAAP carrying value at the date of transition in accordance with FRS 101.

The Company has chosen to early adopt changes made to FRS 100 in relation to company law changes resulting from the EU Accounting Directive although these changes have no impact on the Company.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments and in accordance with the Companies Act 2006.

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

Group accounts have not been prepared as the Company is a wholly owned indirect subsidiary of TSE, which has prepared consolidated accounts for the year ended 31st March 2017.

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

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

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

For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

II Use of estimates and critical accounting judgements

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

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

The detailed accounting policies are outlined in section III below.

III Critical accounting policies

a) Financial instruments

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

(i) Trade debtors

Trade debtors are initially recorded at their fair value and are subsequently measured at their amortised cost, as reduced by appropriate allowances for any impairment. Provisions for impairment are made where there is a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade debtor is determined to be uncollectable it is written off, firstly against any provision available and then to the profit and loss account. Subsequent recoveries of amounts previously provided for are credited to the profit and loss account. Where trade receivables are sold prior to settlement by customers, they are derecognised with the respective default deductions and discount costs simultaneously charged to profit and loss.

(ii) Investments in subsidiaries

Investments in subsidiaries are included at cost less any provision for impairment.

(iii) Financial liabilities

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

(iv) Trade creditors

Trade creditors are initially recorded at fair value and are subsequently measured at their amortised cost.

(v) Equity instruments

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

(b) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the end of each reporting period. Profit and loss account items and cash flows are translated into sterling at the average rates for the financial period.

(c) Pension costs

The Company participates in the British Steel Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of IAS 19 ('Employee Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore, the Company is accounting for contributions to the scheme as if it were a defined contribution scheme.

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

As of the 31st March 2017 the British Steel Pension Scheme closed to future accrual and was replaced by a defined contribution scheme (PRPS).

For the financial year ended 31st March

1. Operating costs

	2017	2016
	£'000	£'000
Costs by type:		
Administrative expenses	**994**	821
	994	821

	2017	2016
	£'000	£'000
The above costs are stated after including:		
Operating lease rentals:		
Plant and machinery	**25**	18

The analysis of auditor's remuneration is as follows:

	2017	2016
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**8**	8

2. Directors' emoluments

The aggregate emoluments of Mr P D Clements, Mrs J M Regan and Mr M V Cichuta are disclosed below. The emoluments of Mr H Adam and Mr R Harper are paid by other companies within the Tata Steel Europe group which make no recharge to the Company.

	2017	2016
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**373**	368
Highest paid director:		
Emoluments (including benefits in kind)	**164**	143

Retirement benefits were accruing to three (2016: three) directors under defined benefit schemes.

3. Employees

	2017	2016
	£'000	£'000
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**683**	569
Social security costs	**82**	62
Other pension costs	**86**	105
	851	736

The average number of employees (all within the same class of business administration) during the year was 8 (2016: 8).

4. Pension costs

The Company participates in the British Steel Pension Scheme. The British Steel Pension Scheme is a defined benefit multi-employer fund, the assets and liabilities of which are held independently from the group. For the purposes of International Accounting Standard 19 ('Employee Benefits'), there is no contractual agreement or group policy for charging the IAS 19 net defined benefit cost amongst participating members of the BSPS. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at least triennially and updated at each balance sheet date. Particulars of the actuarial assumptions and the accounting under IAS 19 are contained in the accounts of Tata Steel UK Limited. The pension charge for the period was £86,853 (2016: £105,000). The total IAS 19 pension surplus is £1,206m at 31st March 2017 (2016: £1,206m).

5. Taxation

	2017 £'000	2016 £'000
Current year tax charge	**-**	-

The total income statement (charge)/credit for the year can be reconciled to the accounting profit/loss as follows:

	2017 £'000	2016 £'000
Loss before taxation	**(15)**	(120)
Loss multiplied by the standard corporation tax rate of 20% (2016: 20%)	**(3)**	(24)
Effects of:		
Transfer pricing adjustment	**192**	192
Group relief surrendered free of charge	**(189)**	(168)
	-	-

The corporation tax rate for the period was 20% (2016: 20%)

6. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	27,167
Additions	-
Provisions	**-**
Net book value at 31st March 2017	**27,167**
Net book value at 2nd April 2016	27,167

The Company's subsidiary undertakings are listed in note 13.

7. Debtors: amounts falling due within one year

As at 31st March	2017 £'000	2016 £'000
Amounts owed by immediate parent company		
Amounts owed by parent undertakings	**15,957**	15,957
Amounts owed by group companies	**-**	-
Amounts owed by subsidiary undertakings	**3,650**	3,173
	19,607	19,130

8. Creditors: amounts falling due within one year

As at 31st March	2017 £'000	2016 £'000
Amounts owed to group companies	**3,534**	3,042
Amounts owed to parent undertakings	**-**	-
Accruals and deferred income	**8**	8
	3,542	3,050

F5. Notes to the financial statements

9. Financial instruments

As at 31st March	**2017** **£'000**	2016 £'000
Redeemable shares of £1 each	**30,000**	30,000

Redeemable shares consist of 30,000,000 shares of £1 each. The redeemable shares were issued in 2000 at £1 per share and are redeemable at £1 per share in accordance with a programme to be agreed between the directors and shareholders. Under IAS 32, these instruments are classified within liabilities rather than equity on the basis that the Company is required to deliver either cash or another financial asset to the holder.

10. Called up share capital

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

Authorised	**2017** **£'000**	2016 £'000
180,000,000 ordinary shares of 25p each	**45,000**	45,000

Allotted, called up and fully paid	**2017** **£'000**	2016 £'000
170,667,600 ordinary shares of 25p each	**42,667**	42,667

11. Related party transactions

The Company's transactions with other businesses within TSE are all with 100% owned subsidiaries. In accordance with the exemption offered by FRS 101 there is no requirement to disclose those transactions in these financial statements.

12. Ultimate and immediate parent company

Tata Steel UK Limited is the Company's immediate parent company, which is registered in England and Wales. Tata Steel Europe Limited (TSE) and Tata Steel UK Holdings Limited (TSUKH) are intermediate holding companies, registered in England and Wales, with TSUKH the smallest group to consolidate these financial statements.

Tata Steel Limited (TSL), a company incorporated in India, is the ultimate parent company and controlling party and the largest group to consolidate these financial statements.

Copies of the Report & Accounts for TSUKH and TSE may be obtained from the Secretary, 30 Millbank, London, SW1P 4WY.

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

13. Subsidiaries

The subsidiary undertakings of the Company at 31st March 2017 and their registered addresses are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings
Processing and sale of electrical steels:

Canada
Cogent Power Inc. (i) (ii) — 845 Laurentian Drive, Burlington, Ontario, Canada, L7N 3W7

Sweden
Surahammars Bruks AB (i) — Box 201, S-735 23, Surahammer, Sweden

Non-trading undertakings:

United Kingdom
Orb Electrical Steels Limited (50%) (i) — Orb Works, Stephenson Street, Newport, NP19 0RB

USA

Cogent Power Incorporated (i) (ii)	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, New Castle County, USA

Classification Key :
(i) Ordinary Shares
(ii) Owned by subsidiary undertakings.

Unless otherwise indicated, subsidiary undertakings are wholly owned by the Company.

Cogent Power Limited
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Stephenson Street
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Registered No: 2642030