Layde Steel, Report

Independent Audit Report

Annual Accounts and Management Report for the Financial year ending on March 31, 2017

INDEPENDENT AUDIT REPORT OF ANNUAL ACCOUNTS

To the Sole Partner of Layde Steel, S.L.U.:

Report on anual accounts

We have audited the attached annual accounts of Layde Steel, S.L.U, a company belonging to the TATA Group (Notes 1 and 11), comprising the balance sheet as on March 31, 2017, the profit and loss account, the state of changes in the net assets, the state of cash flows and the report corresponding to the financial year ending on the above said date.

Responsibility of the Management in relation to the Annual Accounts

The management is responsible for preparing the attached annual accounts, in the form that express the faithful image of the net worth, the financial situation and the results of Layde Steel S.L.U, in conformity with the normative frame of financial information applicable to the entity in Spain, identified in Note 2a of the attached report and the internal audit that are considered necessary for permitting the preparation of the annual accounts free from material misstatements due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion about the attached annual accounts based on our audit. We have carried out our audit in conformity with the regulatory normative of the activity of audit of accounts prevailing in Spain. This normative requires that we comply with the requirements of ethics as well as that we plan and execute the audit in order to obtain a reasonable assurance that the annual accounts are free from material misstatements.

An audit requires application of the procedures for obtaining evidence of audit about the amounts and information revealed in the annual accounts. The procedures selected depend on the auditor's judgment including the assessment of risk due to material misstatements in the annual accounts due to fraud or error. In order to effect the said risk assessments the auditor takes in to account the internal audit relevant for the preparation of the annual accounts by the entity so as to design the audit procedures that are adequate according to the circumstances, and not for the purpose of expressing an opinion about the efficacy of the internal audit of the entity. An audit must also include evaluation of the adequacy of the accounting policies applied and the rationality of the accounting estimations carried out by the management as well as the evaluation of the presentation of the annual accounts taken as a whole.

We consider that the evidence of audit that we have obtained provides a sufficient and adequate basis for our qualified audit opinion.

Basis of qualified opinion

The attached report of financial year 2017 does not contain the information required under article 260 of the Capital Company Law as regards the remuneration accrued, obligations contracted and credits granted in the financial years 2017 and 2016 in respect of the personnel of the Senior Management and members of the Board of Directors. The audit report of the previous financial year included an exception for this concept.

In this sense, and as described in Note 4.c of the attached report, during the year ende don March 31 of 2016, the Company carried out the valuation of certain assets, intangible and tangible, against negative results from prior years, as it was understood that the correction of its recoverable value was due to prior years' results. During our audit work on the annual accounts for the year ended March 31, 2016, even though we had an impairment test, as well as market valuations performed by an independent third party, without the need to deteriorate We did not have sufficient information to be able to conclude on the time in which such deterioration should have been recorded. This fact limited our audit report to the annual accounts for that year, as we could not conclude on the effect that might have arisen on the profit and loss account for the year 2016. In any case, this aspect has no impact on the total amount of equity as of March 31, 2017 or March 31, 2016 or on the result for the year ended March 31, 2017.

Qualified opinion

In our opinion, except for the effects and the possible effects of the facts described in the paragraph “Basis of qualified opinion”, the attached annual accounts express, in all significant aspects, a faithful image of the assets and of the financial situation of the Company Layde Steel, S.L.U as on March 31, 2017, as well as of the results of its operations and cash flows corresponding to the financial year ending on the said date, in conformity with the applicable normative frame of financial information and, in particular, with the accounting principles and criteria contained therein.

Emphasis-of-matter paragraph

We draw attention to what is indicated in Note 14 of the accompanying report in which it is stated that the Company makes a significant part of its purchases to companies of the TATA Group to which it belongs, being in turn financed by it to maintain the activity and To meet obligations in the ordinary course of business. Consequently, the annual accounts of the Company are to be understood in the context of the Group to which it belongs. In this sense, as indicated in Note 2.e of the attached report, the Company had incurred significant operating losses in recent years, which had significantly reduced its stockholders' equity until it became negative. In April 2016, the Company collected in cash a non-refundable monetary contribution amounting to 40 million euros by its Sole Shareholder in order to compensate for the aforementioned losses and restore the balance of assets (Notes 2, 9 and 11). The Directors of the Company have drawn up the accompanying annual accounts in accordance with the operating principle of the Company because they consider that the Company has consolidated its sales figure and its market position as a result of the actions carried out in the Framework of the strategic change process for the period 2013-2015, together with the financial and economic support of the TATA Group to which it belongs (Notes 1, 2, 11 and 14). This question does not change our opinion.

Report on other legal and regulatory requirements

The attached management report of the financial year ending on March 31, 2015 contains the explanations which the management considers appropriate to the situation of the Company, the evolution of its business and on other matters and does not form an integral part of the annual accounts. We have verified that the accounting information, which contains the said management report, agrees with that of the annual accounts of the financial year 2015. Our work as auditors is confined to the verification of the management report with the scope mentioned in the same paragraph and does not include the revision of information other than that obtained from the accounting registers of the Company.

DELOITTE, S.L [Auditors’ Seal]
Registered in R.0.A.C No. S0692

DELOITTE, S.L

Beatriz Galan Year 2017 No. 03/17/03469 26th June, 2017 Corporate Seal: 96 Euro

Audit report of the accounts subject to the norms of Spanish or international accounting audit

LAYDE STEEL, S.L.U
BALANCE SHEET AS ON MARCH 31, 2017 AND 2016 (Notes 1.2and4)

(Thousand Euros)

ASSETS	Report	31.03.17	31.03.16 (1)	TOTAL EQUITY AND LIABILITIES	Report	31.03.17	31.03.16 (*)
NON-CURRENT ASSET:		**7.728**	**8.347**	**NET EQUITY:**		**14.217**	**11.622**
Fixed assets intangible-	**4.a**	**90**	**13**	*EQUITY-*	**11**	**14.217**	**11.622**
Computer applications		90	13	**Capital-**		**5.000**	**5.000**
Tangible fixed assets-	**5**	**7.633**	**8.329**	Registered capital		5.000	5.000
Land and buildings		6.164	6.425	**Reserves-**		**19.146**	**19.146**
Technical installations and other tangible fixed		1.362	1.719	Other reserves		19.146	19.146
Fixed assets current and advances		107	185	**Results of previous financial years-**		**(12.524)**	**(7.545)**
Financial investments long-term-		**5**	**5**	Negative results of previous financial years		(12.524)	(7.545)
Other finanacial assets		5	5	**Result of the financial year - Profit / (Loss)**		**2.595**	**(4.979)**
CURRENT ASSETS:		**42.972**	**67.451**	**NON-CURRENT LIABILITIES:**		**16.200**	**30.000**
Stocks-	**8**	**19.603**	**12.794**	**Long term debts with group companies and partners**	**11 y 14**	**16.200**	**30.000**
Raw materials and other supplies		11.268	6.739	Long-term credits		16.200	
Products in progress		5.381	3.335	Equity loan		-	30.000
Finished products		2.954	2.720				
Commercial debtors and other accounts	**7**	**22.460**	**13.604**	**CURRENT LIABILITIES:**		**20.283**	**34.176**
Trade receivables for sales and service		22.385	13.580	**Short term debts**	**5**	**98**	**214**
Clients, group companies and partners	**14**	69	24	**Short-term debts with group companies and partners**	**14**	**-**	**21.000**
Personnel		6		**Commercial creditors and other accounts payable-**		**20.185**	**12.962**
Short-term financial investment	**9**	**5**	**40.005**	Suppliers		3.140	2.840
Other short-term financial ssets		5	40.005	Suppliers, group companies and partners	**14**	12.640	6.521
Accruals		**103**	**85**	Creditors sundry		1.203	1.170
Cash and other equivalent liquid assets	**10**	**801**	**963**	Personnel (remuneration pending payment)		773	625
Treasury		801	963	Other debts with public administrations	**13**	2.248	1.546
TOTAL ASSETS		**50.700**	**75.798**	**TOTAL EQUITY AND LIABILITIES**		**50.700**	**75.798**

(*) Given exclusively for comparison purposes.
Notes 1 to 15 described in the attached Report is an integral part of the balance sheet as on March 31, 2017.

PROFIT AND OF LOSS ACCOUNTS CORRESPONDING TO THE FINANCIAL YEARS ENDING ON MARCH 31, 2017 AND 2016 (Notes 1, 2 and 4)

(thousand Euros)

	Report Note	Financial year 2017	Financial year 2016 (2)
CONTINUED OPERATIONS:			
Net amount of turnover-	**12.a**	**112.338**	**106.901**
Sales		112.338	106.901
Change of stock of finished products and under production	**8**	**2.556**	**(2.099)**
Supplies-		**(93.372)**	**(89.991)**
Consumption of raw materials and other consumables	**12.b**	(93.478)	(89.646)
Works done by other companies		(299)	(248)
Deterioration of godos, raw materials and different supplies	**8**	405	(97)
Other operating income-		**249**	**136**
Casual and other income from current management		229	136
Subsidies of operation incorporated into the result of the financial year		20	-
Staff costs-	**12.c**	**(8.034)**	**(7.322)**
Salaries, wages and similar		(6.331)	(5.684)
Social security charges		(1.703)	(1.638)
Other operating expenses-		**(9.283)**	**(8.968)**
Outsourcing	12.d	(9.133)	(8.811)
Taxes		(ISO)	(122)
Losses, deterioration and change of provisions by comercial operations	**7**	-	(35)
Depreciation of fixed assets	**4.a y 5**	**(1.159)**	**(1.371)**
Deterioration and results from disposals of fixed assets	**5**	**147**	**24**
Deterioration and losses	**4.a, 4.c y 5**	141	-
Results from disposals and others	**5**	6	24
Other results		**27**	-
RESULT OF OPERATION		**3.469**	**(2.690)**
Financial income		**63**	**76**
From marketable securities and other financial instruments-		63	76
From third parties		63	76
Financial expenditure-		**(954)**	**(2.365)**
For debts with group companies and partners	**14**	(908)	(2.339)
For debts with third parties		(46)	(26)
Exchange differences		**17**	-
FINANCIAL RESULTS		**(874)**	**(2.289)**
RESULT BEFORE TAXES		**2.595**	**(4.979)**
Taxes on profits	**13**	-	-
RESULT OF THE FINANCIAL YEAR PROCEEDING FROM CONTINUED OPERATIONS		**2.595**	**(4.979)**
RESULT OF THE FINANCIAL YEAR - (LOSS)		**2.595**	**(4.979)**

1Given exclusively for comparison purposes.

Notes 1 to 15 described in the attached Report are an integral part of the profit and loss account corresponding to the financial year ending on March 31, 2017.

STATE OF CHANGES IN THE NET ASSETS OF THE FINANCIAL YEARS ENDING ON MARCH 31, 2017 AND 2016 (Notes 1, 2 and 4)

A) ESTADQS PE INGRES0S_Y GASTOS RECONOCIDOS

(thousand Euros)

	Financial year 2017	Financial year 2016(3)
RESULT OF THE PROFIT AND LOSS ACCOUNT (I)	2.595	(4.979)
TOTAL INCOME AND EXPENDITURE RECOGNIZED DIRECTLY IN THE NET ASSETS (II)	-	-
TOTAL TRANSFERENCES TO THE PROFIT AND LOSS ACCOUNT (III)		
TOTAL INCOME AND EXPENDITURE RECOGNIZED (I+II+III)	2.595	(4.979)

B.TOTAL STATE OF CHANGES IN THE NET ASSETS

	Registered Capital	Voluntary reserves	Results of previous financial years	Result of the financial year	Total
INITIAL BALANCE AS ON APRIL 1 OF 2015 (*)	5.000	19.146	(42.718)	(4.827)	(23.399)
Total income and expenditure recognized	-	-	-	(4.979)	(4.979)
Other changes of the net assets					
- Distribution of the result of 2015	_		(4.827)	4.827	
Transactions with shareholders					
- Other contributions of shareholders (Notes 2, 9, 11, 14 and 15.g)		_	40.000		40.000
FINAL BALANCE AS ON MARCH 31 OF 2016 (*)	5.000	19.146	(7.545)	(4.979)	11.622
Total income and expenditure recognized	-	-	-	2.595	2.595
Other changes of the net assets					
- Distribution of the result of 2016	_	_	(4.979)	4.979	.
FINAL BALANCE AS ON MARCH 31, 2017	5.000	19.146	(12.524)	2.595	14.217

(thousand Euros)

(*) Given exclusively for comparison purposes.
Notes 1 to 15 described in the attached Report are an integral part of the Total state of changes in the net assets corresponding to the financial year ending on March 31, 2017.

STATE OF CHANGES IN THE NET ASSETS OF THE FINANCIAL YEARS ENDINGON MARCH 31, 2017 AND 2016 (Notes 1, 2 and 4)

(Thousads of euros)

	Report Note	Financial year 2017	Financial year 2016 (4)
CASH FLOWS FROM THE OPERATING ACTIVITIES (I)		**(4.853)**	**(4.391)**
Result of the financial year before taxes		**2.595**	**(4.979)**
Adjustment to results for:		**527**	**3.768**

> Depreciation of fixed assets	4.a and 5	1.159	1.371
- Valuation corrections for deterioration	7 y 8	264	132
- Losses on derecognition and disposal of fixed assets	4.a, 4.c and 5	(6)	(24)
- Financial income		63	(76)
- Financial expenses	14	(953)	2.365
Changes in the current capital		**(8.865)**	**(47)**
- Stock	8	(7.214	3.899
- Debtors abd other accounts receivable	7 and 14	(8.856)	4.585
- Other current assets		(18)	(1)
- Creditors and other accounts payable	13 and 14	7.223	(8.530)
Other cash flow from operating activities		**890**	**(3.133)**
- Payment of interests	14	953	(3.204)
- Interests received		(63)	76
- Other payments		-	(5)
CASH FLOW FROM INVESTMENT (ACTIVITIES II)		**39.491**	**(376)**
Payments for investments		**(5I5)**	**(401)**
- Intangible fixed assets	4.a	(86)	(44)
- Tangible fixed assets	5	(429)	(357)
Disinvestments		**40.006**	**25**
- Property, plant and equipment	5	6	25
- Other financial assets	9	40.000	
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(34.800)**	**4.000**
Receipts and payments from financial liability instruments	14	**(34.800)**	**4.000**
- Debt issuance with group companies and partners		16.200	4.000
- Returna nd depreciation of debts with group companies and partners		(51.000)	-
NET INCREASE/DECREASE OF THE CASH OR EQUIVALENTS (I+II+1II+IV)		**(162)**	**(767)**
Cash or equivalent at the beginning of the financial year		963	1.730
Cash or equivalent at the end of the financial year		801	963

(*) Given exclusively for comparison purposes.

Notes 1 to 15 described in the attached Report are an integral part of the State of cash flows corresponding to the financial year ending on March 31, 2017.

Report of the financial year ending on March 31, 2017

1. General Information

The core activities of Layde Steel, S.L.U. (hereinafter, "The company") are manufacture, sale and marketing of steel products, as well as management and information services and business administration, administration in general, and disposal of movable property, real estate and securities.

The activities of the Company are centered on cold lamination of steel bobbins, stripping and cutting for various segments of clients, automotive being the most significant.

The sole industrial installation of the Company as well as its registered and corporate offices is located in Durango (Vizcaya).

With effect from February 4, 2005, the Company changed its name from Corus Iberia, S.L.U. to Corus Lamination and Derivatives, S.L.U, the corresponding entry is made in the Commercial Register. With effect from December 17, 2004 the Sole Partner of Corus Iberia, S.L.U. (at present Layde Steel, S.L.U.) and the Company itself, as the Sole Shareholder of Lamination and Derivatives, S.A.U., decided to merge the two companies, so that Corus Iberia, S.L.U. as the acquiring company, absorbed all the assets of Lamination and Derivatives, S.A.U. (absorbed company), which remained dissolved without liquidation, transferring its assets in block to the former. The general terms, as well as the effects of the said merger are given in detail in the Report of the annual accounts for the financial year 2004. With effect from December 9, 2010 the Company changed its name Corus Lamination and Derivatives, S.L.U. to Layde Steel, S.L.U.

The Company is controlled by British Steel Netherland International, B.V., a company of Dutch nationality, which holds 100 % of the shares of the Company and is integrated to the TATA Steel Group (Notes 11 and 14).

2. Bases of presentation

a. Regulatory Framework of the financial information applicable to the Company

These annual accounts have been prepared by the Management in accordance with the regulatory frame of financial information applicable to the Company, laid down in:

a) The Code of Commerce and other mercantile legislation.

b) The General plan of Accounting approved by the Royal decree 1514/2007 and its Sectorial adaptations.

c) The mandatory norms approved by the Institute of Accounting and Auditing of Account under the General Plan of Accounting and its complementary norms.

d) All other Spanish accounting regulations applicable.

b) Faithful Image

The annual accounts have been obtained from the accounting registers of the Company and are presented in accordance with the applicable normative frame of financial information and in particular, the accounting principles and criteria contained in it, so that they show the faithful image of the assets, the financial situation, the results of the Company and the cash flows during the corresponding financial year.

These annual accounts, which have been prepared by the Management of the Company, will be submitted for the approval of the Sole Partner, assuming that these will be approved without any changes. On his part, the annual accounts of the financial year ending on March 31, 2016 were approved by the Sole Partner in the General Meeting convened on February 17 of 2017.

c) **Non-mandatory Accounting Principies applied**

Non-mandatory Accounting Principies have not been applied. Additionally, the Management has prepared these annual accounts taking in to consideration the totality of the accounting principles and norms of mandatory application, which have a significant effect on the said annual accounts. No mandatory accounting principle has been excluded from being applied.

d) **Critical aspects of the evaluation and estimation of uncertainty**

In the preparation of the annual accounts the estimations made by the Management of the Company have been used for the valuation of some of the assets, liabilities, income, expenditure and commitments that are reflected in them. Basically these estimations refer to:

- The evaluation of possible deterioration losses of certain non-current assets (Notes 4.c and 5)
- The useful life of the tangible and intangible assets (Notes 4.a, 4.b and 5)
- The evaluation of the recoverability of the fiscal credits according to the positive tax bases of the next 10 years (Note 13)
- The calculation of the deterioration of value of the stocks by the net value of realization and obsoleteness (Notes 4.e and 8) and of their accounts receivable (Notes 4.d and 7)

The Management of the Company estimates that there are no significant contingent liabilities for the Company as on March 31, 2017 (Note 4.j).

Although these estimations have been made on the basis of the best available information at the end of the financial year 2017, it is possible that events that may take place in the future may force to modify these (to increase or decrease) in the next financial years, which would be done, as applicable, prospectively.

e) **Operating Company**

From the financial year 2010 the Company has been incurring operating losses on account of, among other factors, the general market situation in the previous years. In this sense, between the financial years 2013 and 2015, the Company is engaged in a process of strategic change of face for improving the profitability of its products by adaptation to the current market based on a change in the product mix, promoting the main business line. These measures have been endorsed and approved by the Group TATA Steel, to which the Company belongs, to mitigate the factors that have caused the continuous operating losses in the previous financial years. The Compny started to show signs of recovery in the year 2014 and in the year 2015, consolidated its sales in terms of tonnage sold. In the year 2017, it has secured its position complying with the following: and also, the Budget fixed for the year 2018 approved by the Administrators of the Company is based on specific hypotheses and tendencies of the market which mainly includes a stability of the sector in which it operates, an increase in the presence of the Company in European markets, as well as continue working in key sectors, along with the TATA Steel Group.

Besides, from March 30 of 2016, the Sole Partner approved to support the Company by a non-refundable monetary contribution of 40 million euros, in order to compensate the losses obtained by the Company in previous years. Such non-refundable monetary support was disbursed fully on April 20 of 2016 (Notes 9 and 14).

Likewise, and consequently the disbursement of the non-refundable monetary support by the Sole partner on April 20 of 2016, the Company proceeded to return in advance the participatory loans for an amount of 15 million euros each, whose expiry was established on March 30 of 2023 and December 30 of 2024, respectively.

In conclusion, the Company receives financial and managerial support of the Group to which it belongs, renewing, in general, annually the credit lines necessary for financing the operations (Notes 4.d and 14). Consequently, the Management does not have any doubt about the economic and financial support on the part of the Group so that the Company can meet its financial obligations normally, and thus guarantee continuity of the Company.

The Management of the Company has neither taken nor intends to take any decision that could significantly alter the accounting value of the items of assets and liabilities, or the term in which the assets will be realized or the liabilities will be liquidated.

f) Grouping ofparts

Certain parts of the balance sheet, profit and loss account, state of changes in the net assets and state of cash flows are given in grouped form to facilitate their comprehension, although, in significant measures, individual information has been included in the corresponding notes of the report.

g) Changes in accounting criteria

During the financial year 2017 there has been no significant changes in the accounting criteria with regard to the criteria applied in the financial year 2016.

h) Correction of errors

In the preparation of the attached annual accounts no significant error has been detected that would have caused re-expression of the amounts included in the annual accounts of the financial year 2016.

i) Comparison of the information

The information contained in this Report referred to the financial year 2017 gives the information relating to financial year 2016 for comparison purposes.

In december of 2016, the Real Decree 602/2016 dated December 2, therefore, the General Accounting Plan approved by the Real Decree 1514/2007 dated November 16. Such Real Decree 602/2016 is applicable to the years starting from January 1 of 2016.
The main modifications introduced by the Real Decree 602/2016 that affects the Company, refer to the new break-down of information in the report between the ones which are found as well as significan tones:

-The amount of the Premium settled with rsepect to the civil responsibility insurance of the Administrators;

-The employees with discapacity mor greater than or equal to 33%; and

-The conclusión, modification or advance termination of any contract between a corporate company and any of its partners or Administrators or person acting on their account, when it deals with the operation other than ordinary operation of the company or which is not undertaken in normal conditions, if any.

In relation with the new requirements of information to be included in the report and despite the optional dispensation in the comparative information included in the additional second provision of the Real Decree mentioned, the Company, has included the break-up of comparative information.

b. <u>Application of the result</u>

The proposal of application of the result of the financial year prepared by the Management of the Company and which will be submitted for the approval of the Sole Partner is as follows (in thousand euros):

	Financial year 2017
Base of distribution-	
Result of the year	2.595
Distribution-	
Legal reserve	260
Volunatry reserves	2.335

c. <u>Norms of record and evaluation</u>

The principal norms of record and evaluation used by the Company in the preparation of its annual accounts for the financial years 2017 and 2016, according the provisions specified by the General Plan of Accounting, are the following:

a) Intangible Fixed assets

As general norm, the intangible fixed assets are valued initially by their acquisition price or production cost. Later on, it is valued at its cost reduced by the corresponding accumulated depreciation and, as applicable, by the losses due to deterioration that it has undergone. The said assets are amortized according to their useful life.

Computer applications:

The licenses for computer programs acquired from third parties are capitalized on the basis of the expenditure incurred to acquire them and to prepare them for using the specific program. These costs are amortized during its estimated useful life (5 years). The expenses related to the maintenance of computer programs are recognized as expenditure as and when incurred.

During the financial year the Company has made improvements and upgradation in the software of supply chain, planning and bidding at a cost of 90 thousand euros. The depreciation corresponding to the financial year 2017 amounts to 47 thousand euros (41 thousand euros in the financial year 2016). Additionally, the Company has reversed part of the deterioration recorded on certain IT applications for an amount of 34 thousand Euros, with credit to the epigraph “Deterioration and result for disposals of the asset- Deterioration and losses” of the attached profit and loss account corresponding to the year 2017 on the terms indicated in Note 4.c of the report.

b) Tangible Fixed assets

The items of the tangible fixed assets are recognized by their acquisition price or production cost, less the accumulated depreciation and the accumulated amount of losses recognized. As a consequence of the merger operation effected in the financial year 2004 (Note 1), the absorbing company Layde Steel, S.L.U. (formerly Corus Iberia, S.L.U.), has acquired, among other assets, the tangible fixed assets of Lamination and Derivatives, S.A.U (the absorbed company) at their values in the absorbed company plus certain capital gains arising after the merger process and incorporated at their net book value plus the said appreciations.

The amount of the works done by the company for its own tangible fixed assets is calculated by adding up the acquisition cost of the consumables and the direct or indirect costs chargeable to the said goods. The costs of enlargement, modernization or improvement of the items of the tangible fixed assets are added to the assets as the greater value of the item exclusively when an increase in its capacity, productivity or extension of useful life is assumed, and provided that it is possible to know or estimate the book value of the items that are written off from the inventory on being replaced.

The costs of important repairs are activated and are amortized during their estimated useful life, while the recurring maintenance costs are booked in the profit and loss account during the financial year in which they incur.

The depreciation of the Tangible Fixed assets, with the exception of the lands that are not amortized, is calculated systematically by the linear method according to their estimated useful life, considering the depreciation actually suffered through operation, use and enjoyment. As a result of the study of evaluation of the appreciation arising as consequence of the merger operation mentioned above, the useful residual lives were re-estimated to apply to the net book value of the different heads of the Tangible Fixed assets, as follows:

	Residual useful life, Years
Buildings	10-16
Technical installations and machinery	7-12
Tooling	4
Furniture	5
Data processing equipment	4

On the other hand, the Company maintains the following depreciation coefficients applicable to the additions of fixed assets after the closing of the financial year 2004 is as follows:

	Años de Vida Útil
Constructions	30
Technical installations and machinery	10
Tools	5
Furniture	10
Equipment for information processes	5
Transport Elements	5

The useful life of the assets is revised, adjusting if it is necessary, on the date of each balance sheet.

When the book value of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount (Note 4.c).

The losses and profits by the sale of tangible fixed assets are calculated comparing the income obtained by the sale with the book value and are taken in the profit and loss account.

The financial expenses directly attributable to the acquisition or construction of the elements of the fixed assets, which require a period of more than one year so as to be in conditions of use, are added to their cost until they are in operating conditions.

c) Deterioration of the value of intangible and tangible assets

When there is any indication of deterioration an estimation of the recoverable value of the said assets is made for determining the amount of write-off, if it is finally necessary. The recoverable amount will be the higher of the market value less its sale cost or the value in use, considering this as the present value of estimated future cash flows.

In the case when the recoverable amount is lower than the net book value of the assets, the amount of difference is taken as the corresponding deterioration loss and charged under head "Deterioration and results from disposal of fixed assets" of the Profit and loss account and credited under "Intangible Fixed assets" or "Tangible fixed assets", as appropriate, of the balance sheet.

Where a deterioration loss of value is subsequently reversed, the book value of the asset is increased to the revised estimate of its recoverable amount, but in such a way that that the increased book value does not exceed the book value that would have been determined without any deterioration loss recognized in previous financial years. The said reversion of a deterioration loss of value is recognized as income.

During the financial year ended on March 31 of 2017, a third independent assessor has carried out an appraisal of the assets owned by the Company in order to assess the recovery value of the same. The appraisal was conducted from February 15, 2017, and land, buildings and other constructions, machinery, internal transport, installations, tools and hardware, furniture and data processing equipment were included in the evaluation. The object assets of the appraisal were valued pricing under cost and market criteria and under the hypothesis of "Continuous Use" and "Assumed Benefits," so that the capacity of the assets valued to generate future income has not been questioned. On the other hand, the following methods were used for the appraisal:

Cost Method:

This method consists in estimating the Cost of Restoration to New, which would be the cost required to replace a property by another new one, using the latest technology and construction materials, reproducing the capacity and utility of the existing property and deducting from this value the resultant depreciation due to physical deterioration and obsolescence. This method has been applied for the evaluation of the machinery, installations, internal transport, furniture and data processing equipment.

Market Method:

With this method the value of the property is estimated based on others having similar characteristics, recently sold or in the process of sale.Static and Dynamic Residual method:

This Residual method was applied for the valuation of the land of the Company and it departs from the fact that the selling price of a property consists of the integration of various costs: cost of land, cost of construction of the building and costs and benefits of property development.

Additionaally and in specific acses of certain material assets such machinery, installations, internal transport, furniture and equipment for information processing, the Company has counted on the information related with the use and useful life of such assets. With effect from such information, as well as taking as base, the budgets prepared by the Administrators of the Company in previous years, the Company undertook in the year 2016, a test of deterioration of such assets in order to evaluate if the recoverable value estimated of the same (understanding this as its value in use, that is, the current value of the estimated future cash flow) supported the accounting value, therefore, it was recorded on March 31 of 2016. In this sense and as a result of the retrospective analysis undertaken, the Company corrected the amount, for which, the assets were found recorded with negative results of previous years, understanding that such situation proceeded from previous years.

After the correction undertaken in the anual year terminating on March 31 of 2016 on the balance of the annual year ending on March 31 of 2015 with charge to negative results of previous years, as on March 31 of 2017, the Company has updated the deterioration test of such assets (Notes 4.a and 5).

d) Financial assets

Loans and other receivables:

The loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in the current assets, except for expirations higher than 12 months from the date of the balance sheet, which are classified as non-current assets. The loans and other receivables are included under head "Commercial Debtors and Other receivables" of the balance sheet.

These financial assets are valued initially by their fair value, including transaction costs that are directly attributable to them and subsequently at amortized cost recognizing the interests earned based on their effective interest rate, defined as the discount rate that equals the book value of the instrument with all its estimated cash flows up to their expiration. Not withstanding the aforesaid, the credits by commercial operations with expiration not higher than one year are valued, both at the moment of initial recognition as well as later on, by their face value provided that the effect of not discounting the flows is not significant.

At least at the close of the financial year the Company conducts a deterioration test for the financial assets that are not registered at fair value. It is considered that objective evidence of deterioration exists if the recoverable value of the financial asset is lower than its book value. When it happens, the record of this deterioration is recognized in the profit and loss account.

In particular, and with regard to the valuation corrections on commercial debtors and other receivables, the Company follows the deterioration criterion of the credits for which after an individual analysis of their recoverability, and according to their age or other aspects, such as irregular situation, bankruptcy or insolvency, are deemed circumstances that can reasonably be classified as doubtful receivables (Note 7).

The Company derecognizes the financial assets when they expire or when their rights on the cash flows of the corresponding financial asset have been transferred and the risks and benefits inherent in its property have been transferred substantially, such as outright sales of assets, transfers of commercial credits in "factoring" operations in which the company neither retains any credit risk nor interest, sales of financial assets under repurchase agreements at their fair value or securitization of financial assets in which the transferor company neither retains subordinated financings nor grants any type of guarantee nor assumes any other type of risk (Notes 7 and 14).

On the contrary, the Company does not derecognize the financial assets, and recognizes a financial liability as an amount equal to the received compensation, in the transfers of financial assets in which the risks and benefits inherent in its property should be retained substantially, such as discount of effects, "factoring with recource", sales of financial assets with repurchase agreements at a fixed price or at sale price plus an interest and securitization of financial assets in which the transferor company retains subordinated financings or other type of guarantees that substantially absorb all the expected losses.

e) Stocks

The stocks are valued at their actual cost of acquisition or at their net saleable value, whichever is less. When the net saleable value of the stock is lower than its cost, the necessary valuation corrections will be carried out, recognizing them as an expense in the profit and loss account. If the circumstances that cause value correction cease to exist, the correction amount will be reversed and recognized as income in the profit and loss account.

The cost of the finished products and the products in progress includes the costs of raw materials, direct labor, other direct costs and general manufacturing expenses (based on a normal working capacity of the production facility). The net realizable value is the sale price estimated in the normal course of the business, less the estimated costs necessary to conduct it, as well as in case of raw materials and the products in progress, the estimated costs necessary to complete their production.

f) Net assets

The issue costs of new shares or options are reflected directly against the net assets as minor reserves. In the case of acquisition of the Company's own shares, the consideration paid, including any directly attributable incremental cost is deducted from the net assets until canceled, reissued or disposed of. When these shares are sold or reissued subsequently, any consideration received, net of any incremental costs directly attributable to the transaction, is included in net assets.

g) Financial liabilities

Financial liabilities are those debits and payables that the Company has and that have originated from the purchase of goods and services in the ordinary course of business of the company, or those without having a commercial origin, cannot be considered as derivative financial instruments.

The debits and payables are valued initially at the fair value of the compensation received, adjusted by the directly attributable transaction costs. Subsequently, the said liabilities are valued according to their amortized cost.

Not withstanding the above, the debits by commercial operations with expiry not more than one year and those which do not have any type of contractual interest are valued, initially as well as subsequently, by their face value when the effect of not updating the cash flows is not significant.

h) Tax on profits

Income or expenditure by Tax on profits is the part relative to the income or expenditure by the current tax and the part corresponding to the income or expenditure by deferred tax.

Current tax is the amount payable by the Company as a consequence of the income tax settlements relative to a financial year. The deductions and other fiscal advantages in the quantum of tax, excluding the retentions and pre-payments, as well as the tax loss carryforwards of the previous financial years actually applied in the current year, lead to a reduction in the amount of the current tax.

The income or expenditure by deferred tax corresponds to the recognition and derecognition of the assets and liabilities by deferred tax. These include the temporary differences that are identified as those amounts that are expected as payable or recoverable arising from the differences between the book values of the assets and liabilities and their tax value, as well as the outstanding negative tax bases and credits by tax deductions not applied for tax purposes. These amounts are applied to the temporary difference or credit which corresponds to the tax rate expected to be recovered or settled.

Liabilities by deferred taxes are recognized for all temporary taxable differences, except those derivatives of the initial recognition of commercial funds or of other assets and liabilities in an operation that affects neither the fiscal result nor the accounting result and is not a business combination.

On its part, the assets by deferred taxes are recognized only to the extent in which it is considered as probable that in the next 10 financial years the Company will have future tax profits against which it will be possible to utilize them.

The assets and liabilities by deferred taxes arising from operations charged or credited directly to the equity accounts are recognized also with counter entry in net assets.

i) Employee benefits

Termination benefits:

Termination benefits are paid to the employees as consequence of the decision of the Company for canceling their employment contract before the normal age of retirement or when the employee decides to resign voluntarily in exchange for these benefits. The Company recognizes these benefits when it has demonstrably committed to terminate the employment of workers according to a detailed formal plan without the possibility of withdrawal or to give termination benefits as a result of an offer to encourage a voluntary resignation. The benefits that are not going to be paid within twelve months following the date of the balance sheet are deducted to their actual value (Note 12.c).

Bonus:

The Company recognizes a liability and an expense for bonus based on the formulae that take in to account the grade of fulfillment of the qualitative and quantitative objectives fixed for the employees with right to bonus. The Company recognizes a provision when it is contractually binding or when the past practice has created an implicit obligation. As on March 31, 2017 the Company has recorded an amount of 90 thousand euros (no amount on March 31, 2016) under this head given the conditions for the same.

j) Provisions and Contingent liabilities

The Management of the Company in the preparation of the annual accounts differentiates between:

a) Provisions: credit balances that cover the present obligations arising from past events the settlement of which is probable, which causes an outflow of resources, but there is uncertainty about its amount and/or timing of settlement.

b) Contingent liabilities: possible obligations arising from past events, the future materialization of which is contingent up on the occurrence or otherwise of one or more future events beyond the control of the Company.

The annual accounts include all the provisions with regard to which it is estimated that the probability of having to meet the obligation is greater than the opposite. Unless they are considered to be remote, the contingent liabilities are not recognized in the annual accounts but are disclosed in the Notes of the Report.

The provisions are valued by the current value of the best possible estimation of the amount required to settle or transfer the obligation, taking in to account the available information about the event and its consequences, and reporting any adjustments arising from the updating of the said provisions as a financial expense on accrual basis. The compensation receivable from a third party at the time of settling the obligation, provided that there are no doubts that the said refund will be taken as and recorded as an asset, except when there is a legal bond by which part of the risk has been externalized, and by virtue of which the Company is not liable; in this situation, the compensation will be taken in to account for estimating the amount, which, if any, will represent the corresponding provision.

k) Recognition of income

Incomes are recognized at the fair value of the compensation receivable and represent the amounts receivable for the goods and services rendered in the normal course of the business of the Company, less the returns, reductions, discounts and value added tax.

The Company recognizes the income when its amount can be valued reliably, when it is probable that future economic benefits will flow to the Company and when the specific conditions for each of the activities as detailed below are fulfilled. It is not considered possible to value the amount of income reliably until all the contingencies related to the sale have been resolved. The Company bases its estimations on historical results, taking in to consideration the type of client, the type of transaction and the specific terms of each agreement.

Sale of goods

The Company manufactures and sells iron and steel products. The recognition of the income from sales takes place at the moment when the significant risks and benefits inherent in the ownership of the sold good are transferred to the buyer, the current management neither maintaining of the said good, nor retaining the effective control on it.

The sales are recognized depending on the price fixed in the contract or sale agreement, net of the volume discounts and returns estimated to the date of the sale. The volume discounts, if any, are evaluated in terms of the estimated annual purchases. It is assumed that there is no financing component, since the sales are realized with an average payment period in line with the market practice.

Providing services

The Company provides contract manufacturing services of certain processes (cutting, stripping, etc) on products owned by clients. These services are provided normally on the basis of a date and specific material in periods ranging from 1 to 3 months.

The income derived from these services is recognized by the same criteria as the sale of goods because: i) it is considered that the service has been provided with the delivery of the material processed to the client, ii) the time for providing the service is very short.

Income from interests

The interests received from financial assets are recognized using the effective interest rate method and the dividends- when the shareholder's right to receive them is established. In any case, the interests and dividends from financial assets accrued after the date of acquisition are recognized as income in the profit and loss account.

l) Leases

Operative lease

The expenses derived from the operative lease agreements are charged to the profit and loss account in the financial year in which they are earned.

Any receipt or payment that could have made for contracting an operative lease is treated as a receipt or advance payment which is charged to income spread over the lease period, as and when the benefits of the leased assets are transferred or received.

m) Transactions in currency other than euro

The functional currency used by the Company is the euro. Consequently, the operations in currencies other than euro are considered to be denominated in foreign currency and are recorded according to the current exchange rates in force on the dates of the transactions.

At the end of the financial year, the monetary assets and liabilities denominated in foreign currency are converted applying the exchange rate in force on the date of the balance sheet. The profits or losses posted are charged directly to the profit and loss account of the financial year in which they take place.

The Company has conducted practically the entire transactions in euros.

Transactions between related parties

The Company conducts all its transactions with related parties at market valúes. Additionally, transfer prices are adequately supported so that the Management of the Company considers that no significant risks exist in this connection that might give rise to significant liabilities in the future (see Note 14).

ñ) *Classification of assets and liabilities between current and non- current*

Current assets are considered to be those related to the normal operating cycle, which generally is considered a year, and also those other assets whose expiration, disposal or realization is expected to occur in the short term from the closing date of the financial year, the financial assets held for trading, with the exception of financial derivatives whose settlement period is more than a year and cash and other equivalent liquid cash assets. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are those related to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period exceeds one year and in general all obligations whose expiration or extinction will occur in the short term. Otherwise, they are classified as non-current.

l) The state of cash flows

In the statement of cash flows prepared in accordance with the indirect method, the following expressions are used in the following meanings:

- Cash flows: inflows and outflows of cash and its equivalents, which mean the investments that are short-term with high liquidity without significant risk of changes in value.
- Operating activities: activities typical of the Company as well as other activities that can not be classified as investing or financing activities.
- Investing activities: activities of acquisition, sale or other disposal of long-term assets and other investments not included in cash and their equivalents.
- Financing activities: activities that result in changes in the size and composition of the net equity and liabilities that are not part of operating activities.

p) Cash and other equivalent liquid assets

This head includes cash in hand, current accounts in banks and, where appropriate, deposits and temporary acquisitions of assets that meet all the following requirements (Note 10):

- They are convertible into cash.
- At the time of acquisition their expiration was not more than three months.
- They are not subject to a significant risk of change in value.
- They form part of the standard cash management policy of the Company.

5 Tangible Fixed assets

The details and movement of the items included in tangible fixed assets during the years 20165 ad 2015 are as follows:

Financial year 2017

	Thousands of Euros				
	Initial balance	Additions / (Provisions)	Transfers	Drop	Final balance
Cost					
Land	3.276	-	-	-	3.276
Buildings	6.337	21	-	-	6.358
Technical installations and other fixed assets	19.172	48	318	(375)	19.163
Fixed assets current and advances	185	240	(318)		107
Total cost	**28.970**	**309**	-	**(375)**	**28.904**
Depreciations					
Buildings	(3.188)	(282)	-	-	(3.470)
Technical installations and other fixed assets	(16.932)	(830)	-	375	(17.387)
Total Depreciation	**(20.120)**	**(1.112)**	-	**375**	**(20.857)**

Deterioration Technical installations and other fixed assets	(521)			107	(414)
Total depreciation	**(521)**	-	-	**107**	**(414)**
Net total	**8.329**				**7.633**

Financial year 2016	Thousands of Euros				
	Initial balance	Additions / (Provisions)	Transfer	Drop	Final balance
Cost					
Land	3.276	-	-	-	3.276
Buildings	6.337	-	-	-	6.337
Technical installations and other fixed assets	19.115	337	81	(361)	19.172
Fixed assets current and advances	188	78	(81)		185
Total cost	**28.916**	**415**		**(361)**	**28.970**
Depreciation					
Buildings	(2.906)	(282)	-	-	(3.188)
Technical installations and other fixed assets	(16.244)	(1.048)	-	360	(16.932)
Total depreciation	**(19.150)**	**(1.330)**	-	**360**	**(20.120)**
Deterioration Technical installations and other fixed assets	(521)				(521)
Total deterioration	**(521)**	-	-	-	**(521)**
Net total	**9.245**				**8.329**

The main additions in 2017 relate to renovations and improvements in construction for amount of 21 thousand euros, in machinery for an amount of 35 thousand euros and in other assets for an amount of 13 thousand euros as well as the advance for the adaptation of the machinery of the Company that jointly reaches to 240 thousand euros.

The drops are mainly due to the withdrawal of the elements which were totally found depreciated for an amount of 375 thousand euros. Part of the same has been alienated during the year, which has supposed a result of 6 thousand euros recorded in the section “Deterioration and result for disposal of assets- Results for disposals and others” of the profit and loss account attached corresponding to the year 2017.

As detailed in Note 4.c., the Company has reverted an amount of 107 thousand euros with credit to the section “Deterioration and result for disposals of the assets- Deterioration” as a consequence of the revision of the deterioration test performed on the assets of the Company.

As on March 31, 2015 and March 31, 2014 there are items recognized in the balance sheet with an original cost of 11,455 and 11648 thousand euros respectively and approximately, which are fully depreciated but still in use.

At the close of the financial year 2017, the Company does not have any firm purchase commitments of investment. Also, as on December 31, 2017 the Company does not have investments in tangible fixed assets located abroad. Out of the tangible fixed assets of the Company at the close of the financial years 2017 and 2016, there was no significant assets not affected directly to the operation. The Company has no tangible fixed assets with liens or encumbrances as on March 31, 2017.

It is the policy of the Company to take insurance policies to cover the possible risks to which the various elements of its tangible fixed assets are exposed. At the close of the financial year 2017 there was no deficiency in the coverage related to the said risks with regard to the book value.

The head "Short-term debts" of the attached balance sheets as on March 31, 2017 and 2016 recognize amounts of 98 and 214 thousand euros, respectively, as amounts payable to suppliers of fixed assets.

6) Leases

Operative leases - Company as tenant/lessee

At the end of the financial years 2017 and 2016 the Company has signed agreements with the lessors for the following minimum lease payments in accordance with the current agreements in force, without taking into account the repercussion of common expenses, future increases of CPI or future revision of the contractually agreed rent (in thousands of euros):

Operative leases Minimum quotas	**Face value**	
	2017	**2016**
Less than one year	224	203
Between one year and five years	162	230
Total	**386**	**433**

The expenditure recognized in the profit and loss account during the financial year corresponding to operative leases amounts to 230 thousand and 229 thousand euros in 2017 and 2016, respectively and approximately (Note 12.d).

The Company has rented various items of fixed assets (mainly company machinery) under non- cancellable operative lease agreements. These agreements have a tenure between 3 and 5 years, most of which being renewable on expiry in market conditions.

7. Loans and receivables

Details of the short term loans and other receivables of the Company as on March 31, 2017 and 2016 are as follows:

	Thousand euros	
	31.03.17	**31.03.16**
Short term Loans and receivables-		
Clients by sales and services (Notes 4.d and 14)	22,794	13,989
Clients group companies and partners (Note 14)	69	24
Personnel	6	-
Valuation corrections for deterioration	(409)	(409)
	22,460	**13,604**

The fair value of loans and receivables is equivalent to their carrying amount.

Accounts receivable from overdue clients with not more than three months old have not suffered any deterioration of value. On 31 March, 2017 and 2016, respectively, apart from the balances that have deterioration, other receivables amounting to 595 and 97 thousand euros, respectively had expired, out of which 449 and 38 thousand euros relate to expirations in the month of March, although they had not suffered a deterioration loss. These accounts correspond to a number of independent clients regarding whom there is no recent history of default. The age analysis of these accounts is as follows:

	Thousand euros	
	31.03.17	**31.03.16**
Up to 3 months	544	76
More than 3 months	51	21
	595	**97**

The book values of the loans and other receivables are given in euros since the Company does not operate out of the Euro zone.

The transaction of the valuation corrections for deterioration of the other receivables from clients is as follows:

	Thousand euros
Balance as on 01.04.15	**374**
Deterioration of the value of receivable accounts	**35**
Balance as on 31.03.16	**409**
Balance as on 31.03.17	**409**

The recognition and the reversion of the valuation corrections for deterioration of the other receivables from clients are included under head "Losses, deterioration and change of provisions for commercial operations" of the profit and loss account. Normally the amounts charged to the value deterioration account are dismissed when there is no expectation of recovering the deteriorated amount.

The rest of the accounts included under "Loans and receivables" have not suffered deterioration of value.

The maximum exposure to credit risk on the date of presentation of the information is the fair value of each of the categories of receivables mentioned above. The Company has a credit insurance policy with domestic and foreign coverage.

Note 14 provides information about the receivable accounts of the defaulting clients as on the closing of financial years 2017 and 2016 and which had been written off the balance sheet for having been sold by Non-recourse factoring.

Information about the nature and level of risk of the financial instruments

Financial risk management of the Company is centralized in the Finance Department, which together with the Treasury Department of the TATA Steel Group has the necessary mechanisms established for controlling the exposure to the changes in interest rates and exchange rates, as well as to the credit and liquidity risks. The main financial risks affecting the Company are as follows:

a) Credit risk

Credit risk arises from the receivable accounts of the clients, including outstanding receivables and awkward transactions. The credit control evaluates the credit quality of the client, taking into account his financial position, past experience and other factors.

The Group's policy is to ensure all the sales, both domestic and foreign, when it is possible. From financial year 2014, the management and procurement of the insurance policy of credit is transferred and is centralized with the head of the Group. Individual credit limits are fixed according to the ratings assigned by the insurance company and possibly by internal evaluations.

Utilization of credit limits is monitored regularly. In case the credit limits fixed are exceeded the Company has a procedure for approving the exceeded limits depending on the amount.

The table below shows the global credit limits and its correspondence with the balances receivable as on the date of the balance sheet (thousand euros):

31.03.17		31.03.16	
Credit limit	**Balance (*)**	**Credit limit**	**Balance (*)**
73,077	**22,454**	**75,941**	**13,604**

Including accounts payable factorized by the amount of 9 and 10 million euros respectively (Notes 4.d and 14).

During the financia! year 2017 and 2016, the insolvency coverage amounted to 95 % of the account receivables affected. The Group has a continuous policy of risks updating with the insurance company, and also of authorization and monitoring of the transactions for amounts higher than the limits set individually for each client. The Management does not expect any losses due to the violation of any of the accounts receivable indicated.

b) Liquidity risk

The Company has a credit line provided by the Group for financing its cash requirements (Note 14).

Pursuant to the instructions received from the Group, the Company is required to be financed through credit lines and other agreements of financial nature (Notes 4.d and 14) from the Group itself. It is for this reason that it has different provisions of credit for covering the cash needs and can return them when there are surplus cash or if required extend those lines. With this system the liquidity risk is covered.

c) Market risk

(i) Exchange rate risk

There is no exchange rate risk because practically all the transactions are made in euros.

(ii) Interest rate risk of the cash flows and fair value

The interest rate risk management is centralized with the Management of the TATA Steel Group (Note 1), which has the necessary mechanisms established for controlling the exposure to the changes in the interest rate. The Company finances its operations and investments with loans and credit lines granted by a Group company (Note 14) the interest rate of which is indexed to market indexes. The Company, according to the Group policy, cannot contract operations of derivatives of interest rate.

d) Credit quality of financial assets

The Company has been working for the last 20 years with a group of about 300 clients. During a normal financial year there can be high and low movements of about 25 clients. The Company has focused on a single client for 11% of sales.

None of the financial assets pending expiration has been renegotiated during the financial year.

8. Stocks

The details of the stock of the Company referred to the financial years ended on March 31, 2017 and 2016 is as follows (in thousand euros):

	31.03.17	**31.03.16**
Raw materials and other supplies	**9.729**	**5.840**
Spare parts and consumables	**1.590**	**1.632**
Products in progress and semi finished	**5.970**	**3.526**
Finished products	**2.979**	**2.867**
Provisions	**(665)**	**(1.071)**
Total	19,603	12,794

The movement of the valuation corrections for deterioration under the head "Stock" of the attached balance sheet as on March 31, 2017 and 2016 has been the following (in thousand euros):

	31.03.17	31.03.16
Initial balance	**(1,071)**	**(974)**
Provision / reversion raw materials	428	(41)
Provision / reversion spare parts and consumables	(22)	(56)
Final balance	**(665)**	**(1,071)**

The reversión of the deterioration of the raw materials, is mainly due to the elimination in its entirety of the provision for the net realizable value recorded in the year 2016, taking as base for it, a clear improvement of the general situation of the market with a recovery of the prices for tonnages (Note 2.e).

The Company has taken several insurance policies for covering the risks to which the stocks are exposed. The coverage of these insurance policies is considered to be sufficient.

As on March 31, 2017 there are commitments for outright purchase stocks for an amount of 22 million euros approximately in Group companies as well as 6 million euros approximately outside the Group (16 million and 5 million of euros on March 31, 2016, respectively).

As on March 31, 2017 and 2016, the Company has an inventory of spare parts for the machinery and installations and consumables for a gross value of 1,590 thousand and 1,632 thousand euros respectively and approximately (1,013 thousand and 1,077 thousand euros, respectively, net of provisions for deterioration). The provision for deterioration of value of this store is fixed in individualized form according to the gross value of the inventory for correlating the said depreciation with the inventory volume of each financial year.

The movement/transaction of the said inventory of spare parts during the financial years 2017 and 2016 is as follows:

	Thousand euros
Balance 01,04,15	**1,238**
Variation of stocks	(161)
Balance 31.03.16	**1,077**
Variation of stocks	(64)
Balance 31.03.17	**1,013**

9. Short-term financial investments

As on March 30 of 2016, the Sole Partner, British Steel Nederland International, B.V. (Note 11), agreed through Extraordinary General Board of Members, a non-refundable monetary contribution for an amount of 40 million of euros in order to compensate the negative results recorded by the Company in previous years. As a consequence of such decision, on March 31 of 2016, the Company applied the full amount of non-refundable monetary contribution, which was found pending of disbursement at the close of the year, against the epigraph “Negative Results of previous years”. On April 20 of 2016, such non-refundable monetary contribution was disbursed (Notes 2.e and 14).

Cash and other equivalent liquid assets

Cash is composed of current accounts in financial entities, which earn market rate of interest for this type of accounts. There is no restriction to the availability of the said deposits.

10. Equity Funds

a) Capital

T The value as on March 31, 2017 and 2016 is as follows (thousand euros):

	31.03.17	**31.03.16**
Registered capital	5,000	5,000

The subscribed capital as on March 31, 2017 and 2016 consists of 5,000,000 equity shares of face value 1 euro each, fully subscribed and paid up. British Steel Holdings, B.V., a company of Dutch nationality, is the holder of 100 % shares of the Company (Note 1).

According to the Revised text of Capital Companies Act, the Company is registered in the Companies Register as individual (unipersonal) company.

b) Reserves

Voluntary Reserves

As on March 31 of 2017 and 2016, the Company has increased the voluntary reserve to 19,146 thousand euros.

Legal reserve

According the Capital Companies Act, the limited liability company must earmark an amount equal to 10 % of the year's profit to the legal reserve till it reaches at least 20 % of the share capital. The legal reserve can only be used to increase the share capital. Except for the aforesaid purpose, and until it exceeds 20% of share capital, it can only be used for offsetting the losses, when sufficient other reserves are not available for this purpose.

As on March 31, 2017 and 2016 the Company does not have the said legal reserve constituted.

11. Income and expenses

a) Net amount of turnover

The net amount of the turnover corresponding to the normal activities of the Company is distributed geographically as follows:

Market	Financial year 2017	Financial year 2016
	%	%
Spain	88	84
European Union	10	11
Rest of the World	2	1
	100	100

Similarly, the net amount of the turnover can be analyzed by product line as follows:

Line	Financial year 2017	Financial year 2016
	%	%
Sale of inventory	96	96
Provision of services and others	4	4
	100	**100**

b) Consumption of goods, raw materials and other consumables

Details of the amount recorded under head "Consumption of raw materials and other consumables" during the financial years 2017 and 2016 are as follows (in thousand euros) (Note 14):

	Financial year 2017	Financial year 2016
Purchase of raw materials	95,238	85,930
Purchase of other supplies	2,087	1,916
Change in stock (Note 8)	(3,847)	1,800
	93,478	**89,646**

the purchases are acquired mainly in the EU, mainly outside Spain, provided that there is no significant production in national territory.

a) Personnel

The breakdown of the more significant balances under head "Staff costs" of the financial years 2017 and 2016 is as follows:

Item	Thousand euros	
	2017	2016
Salaries and wages	**6.331**	**5.684**
Social Security	**1.645**	**1.566**
Others	**58**	**72**
Total	**8.034**	**7.322**

The average number of employees in the course of the financial year distributed by categories is as follows:

	Financial year 2017	**Financial year 2016**
Adviser / Manager	**1**	**1**
Managers	**6**	**6**
Employees	**138**	**136**
	145	143

Also, the gender distribution of the staff of the Company at the end of the financial year is as follows:

	Financial year 2017			Financial year 2016		
	Male	Female	Total	Male	Female	Total
Adviser / Manager	**1**	**-**	**1**	**1**	**-**	**1**
Managers	**6**	**-**	**6**	**6**	**-**	**6**
Employees	**120**	**18**	**138**	**120**	**16**	**136**
	127	18	145	127	16	143

The number of employees used during the year 2017, with major discapacity or equal to 33% is of an employee.

d. Outsourcing

The breakdown of the most significant balances under head "Outsourcing" for the financial years 2017 and 2016 attached is as follows (in thousand euros):

	2017	2016
Rent and fees (Note 6)	**230**	**229**
Repairs and maintenance	**1.923**	**1.837**
Independent professional services	**367**	**182**
Transport costs	**3.624**	**3.414**
Advertising	**14**	**10**
Insurance premiums	**142**	**185**
Supplies	**1.208**	**1.300**
Other services	**1.625**	**1.654**
	9.133	8.811

The head "Other services" mainly reflects the management fees invoiced by the group that have amounted to 1.302 thousand euros (1.340 thousand euros in the financial year 2016) (Note 14).

12. Fiscal situation

a) Breakdown of balances with the Public administrations

Details of the balances related to fiscal assets and liabilities as on March 31, 2017 and 2016 are as follows (in thousand euros):

	2017	2016
Other debts with the Public administrations		
- Public funds by IRPF (Personal Income Tax)	**93**	**86**
- Social Security Organizations	**166**	**154**
- Public funds by VAT	**1.945**	**1.266**
- Other items	**44**	**40**
Total credit balances	**2.248**	**1.546**

b) Reconciliation of accounting profit and taxable income

Reconciliation of profit for financial years 2017 and 2016 with taxable income for corporate income tax, calculated in accordance with Provincial Law 11/2013 of 5th December, for the companies of the Historical Territory of Bizkaia, which governs the Company, is as follows (in thousands of euros):

Financial year 2017

	Total
Accounting result before taxes - (Loss)	2.595
Permanent differences **Temporary differences**	**(34)** **-**
Fiscal tax base	**(2.561)**

Financial year 2016

	Total
Accounting result before taxes - (Loss)	(4979)
Permanent differences **Temporary differences**	 **2.288**
Fiscal tax base	**(2.691)**

The permanent differences for the year 2017 arose mainly due to the non-deductibility of the reversión undertaken in relation with the provision by obsolescence recorded on stocks. The permanent differences of the year 2016, on the other hand arose mainly due to the non-deductibility of the financial expenses generated by the intra-group funding received by the Company (Note 14), in so far, as determined by Article 47 of Provincial Law 11/2013, of December 5th, regarding Corporate Income Tax.

The taxable base for the year 2016 presented in the final declaration of the Company tax differs from that approved in the anual accounts of such year due to the inclusión as permanent difference for an amount of 169 thousand euros, in lieu of non-deductible provision fiscally.

c) Reconciliation of accounting results and current tax expense

The reconciliation between the accounting results and corporate income tax expense is as follows (in thousands of euros):

	Financial year 2017	Financial year 2016
Accounting result before taxes	**2.595**	**(4.979)**
Permanent Differences	**(34)**	**(2.288)**
Temporary Differences		
Quota at 28%	**717**	**(753)**
Negative tax base of the financial year not activated		**753**
Negative tax base compensation	**-** **(717)**	
Total expense for tax recognized in the profit and loss account		

d) Assets by deferred tax not recorded

The assets by taxes deferred by negative tax bases pending compensation and deductions pending application are recognized to the extent in which it is probable that the Company obtains future fiscal profits that allow its application. As on March 31, 2017 and 2016, the Company has the following fiscal and active credits by deferred tax not recognized in balance sheet and generated from the financial year 2007 (in thousand euros):

Item	31.03.15	31.03.16
Deductions pending application	405	2.904
Negative tax bases	21,820	22.584
Total assets by deferred tax not recorded	22.225	25.488

e) Financial years pending verification and tax audits

According to the current legislation, taxes cannot be considered as finally settled until the declarations submitted are inspected by the tax authorities or until the expiry of the prescribed term of four years.

As on March 31, 2017, the Company has the financial year 2013 and subsequent years open to inspection in respect of corporate income tax and the last four financial years for other taxes that are applicable. The Management of the Company considers that the aforementioned taxes have been appropriately settled, so that even in case of discrepancies arising in the interpretation of the rules in force for the tax treatment afforded to certain transactions, the resulting contingent liabilities, if they materialize, will not significantly affect the attached annual accounts.

<u>13. Transactions with related parties</u>

The Company conducts transactions and maintains significant balances with TATA Group companies to which it belongs (Note 1), in the conditions set forth between the parties. The transactions made with such companies during the financial years ending on March 31, 2017 and 2016 are as follows

Year 2017 (in thousand euros)

	Sales	Provision of services	Purchase	Reception of services (Nota 12 d)	Financial interests
Group Companies					
Tata Steel Ijmuiden BV	3		48.679		
Tata Steel UK Ltd.	24	-	30.344	605	454
Tata Steel Europe Distibution BV	-	116	-	605	-
Tata Steel-Service Centre Maastricht BV	-	-	42	-	-
Unitoi, S.A.S.	137	-	27	-	-
Tata Steel Service Center Gelsenkirchen	20	-	193	-	-
Cogent Surahammars Bruks AB	-	-	193	-	-
Tata Steel Nederland Services BV	-	68	-	36	-
Degels GmbH	-	-	207	-	-
Tata Steel Speciality Steels Suzhou Co.	273	-	-	-	-
Proco Issuer Pte Ltd. (Nota 4.d)	-	-	-	-	454
Total	**457**	**184**	**79.685**	**1.246**	**908**

Year 2016

	Sales	Provision of services	Purchase	Reception of services (Nota 12.d)	Financial interests
Group Companies					
Tata Steel Ijmuiden BV	-	-	44.607	-	-
Inter Meta! Distribution SAS	29	-	-	-	-
Unitoi, S.A.S.	145	-	153	-	-
Tata Steel UK Ltd.	1	-	29.035	482	1.809
Tata Steel Europe Distibution BV	-	28	-	817	-
Tata Steel-Service Centre Maastricht BV	-	-	45	-	-
Cogent Surahammars Bruks AB	-	-	63	-	-
Tata Steel Nederland Services BV	-	-	-	31	-
Degels GmbH	-	-	31	-	-
Tata Steel Belgium Services NV	-	-	-	10	-
Tata Steel Speciality Steels Suzhou Co.	20	-	-	-	-
Proco Issuer Pte Ltd. (Nota 4.d)	-	76	-	-	530
Total	**195**	**104**	**73.934**	**1.340**	**2.339**

The goods are sold on the basis of the current price-lists applicable to unrelated third parties.

The purchase of goods from the group refers mainly to purchases of steel. The receipt of services is the allocation of "management fees" for the central services received from the TATA Steel Group pursuant to the agreement signed between the parties, which specifies the services provided and the form of repercussion of the costs during the financial year 2017. No contracts have been signed by the Company with its Sole Partner. Similarly, the pending balances with group companies and partners as on December 31, 2017 and 2016 are as follows (in thousand euros):

Year 2017

	Clients	**Long-term debts [Note 11)**	**Suppliers**
Group Companies			
Tata Steel Ijmuiden BV	1		6.707
Tata Steel Nederland Services BV	21	-	-
Tata Steel Europe DIstribution BV	10	-	-
Tata Steel Belgium Services NV	-	-	27
Tata Steel-Service Centre Maastricht BV	-	-	12
Unitol, S.A.S.	14	-	-
Tata Steel Service Center Gelsenkirchen	-	-	98
Tata Steel UK Ltd.	23	16.200	5.592
Tata Steel International Germany GmbH	-	-	4
Degels Gmbh	-	-	200
Total	**69**	**16.200**	**12.640**

Year 2016

	Other financial short-term assets	Clients	Long-term debts (Note 11)	Short-term debts (Note 11)	Suppliers
Group companies					
Tata Steel Iimuiden BV	-	-	-	-	4.146
Tata Steel Nederland Services BV	-	-	-	-	3
Tata Steel Belgium Services NV	-	-	-	-	27
Tata Steel-Service Centre Maastricht BV	-	-	-	-	18
Unitol, S.A.S.	-	23	-	-	1
Tata Steel UK Ltd.	-	1	30.000	21.000	2.303
Tata Steel International Germany GmbH	-	-	-	-	21
Tata Steel International Poland	-	-	-	-	2
British Steel Nederland International BV (Note 9)	40.000	-	-	-	-
Total	**40.000**	**24**	**30.000**	**21.000**	**6.521**

The Company resorts to the intragroup financing to cover its working capital requirements.

The Company has renewed the credit line on September 30, 2016 with which the Company has been financing its operations, the amount available to it being 28 million euros and agreeing to a repayment period, fixing the same on September 30 of 2018 (Note 2.e). On March 31 of 2017, the Company has 16,200 thousand euros, having paid the total of the interest accrued until the date.

Also,the Company also has two equity loans of amount 15 million euros each which the Company had at the close of the year ending March 31 of 2016 was returned on April 20 of 2016 in advance, provided that the expiries were established on March 30 of 2023 and December 30 of 2024.

The Company has a credit transfer contract ("Non-recourse factoring") signed with the Group company Proco Issuer Pvt. Ltd with effect from March 22, 2012, with which it has settled the balance commercial credits for a total accumulated amount of 30,271 thousand euros through the financial year 2017 (35,319 thousand euros in 2016) (Note 4.d). As on March 31, 2017, accounts receivable from clients pending expiration, which have been factored and therefore dropped from the balance sheet, had an amount of 9,401 thousand euros (10,452 thousand euros at the close of the previous financial year). The financial expenses generated by this figure during the financial year 2017 amount to 454 thousand euros, which have been fully paid. In spite of its financial nature, for the effects of the state of cash flows, the said amount has been considered as an advance payment to clients within the cash flows of the operating activities.

The accounts receivables from related parties arise from sale transactions and have an expiration of 2 months after the date of the sale. The receivables are not insured and do not earn any interest.

The accounts payable to related parties arise from purchase transactions and have anexpiration between 1 and 2 months after the date of purchase. The accounts payable of commercial nature do not earn any interest.

14. Other Information

a) Sureties and guarantees given

As on March 31, 2017 and 2016 the Company has surety of financial entity contracted for the coverage of the guarantees given for an approximate amount of 1,000 euros.

b) Information about the delay in payment made to suppliers. Third Additional provision. "Mandatory information" of the Act 31/2014, of December 3.

Detailed information required by the third additional provision of the Act 15/2010 of July 5 (modified through the second final provision of the Law 31/2014) dated December 3) which has been prepared applying the Resolution of the Institute of Accounting and Auditing dated January 29, 2016 on the information to be incorporated in the anual accounts report in relation with the average period of payment to providers in comercial operations :

	2017	2016
	Days	Days
Average period of payment to suppliers	53.37	56.13
Ratio of paid operations	57.89	58.87
Ratio of outstanding payments	14.79	23.75
		Thousands of Euros
Total payments made	105,045	108,996
Toyal outstanding payments	12,299	9247

The information given in the above table about payments to suppliers refers to those which by their nature are Commercial creditors by debts with suppliers of goods and services, in such a way as to include the information regarding "Suppliers", "Suppliers, group companies and partners" and "Sundry creditors" of the current liabilities of the attached balance sheet.

The phrase “Mean period of payment to suppliers” is the expression of time of payment or delay in payment of the commercial debt. The said “Mean period of payment to suppliers” is calculated as the quotient formed in the numerator by the sum of the ratio of the transactions paid by the total sum of the payments made plus the ratio of transactions pending payment by the total amount of pending payments and, in the denominator, by the total amount of payments made and the pending payments.

The ratio of the transactions paid is calculated as as the quotient formed in the numerator by the sum of the products corresponding to the amounts paid, by the number of days of payment (difference between the natural days lapsed from the end of the legal maximum period of payment up to the material payment of operation) and, in the denominator the total amount of payments made.

Similarly, the ratio of transactions pending payment corresponds to the quotient formulated in the numerator by the sum of the products corresponding to the amounts pending payment, by the number of days the payment is overdue (difference between the natural days lapsed from the end of the legal maximum period of payment up to the close of the annual accounts) and, in the denominator the total amount of pending payments.

The legal maximum period of payment applicable to the Company in FY 2017 pursuant to Act 3/2004 of December 29, which stipulates measures to combat delinquency in commercial transactions, and pursuant to the the transitory provisions laid down in the Act 15/2010 of 5th July, is 60 days up to the publication of Act 11/2013 of 26th July and 30 days from the date of publication of the said Act and to date (unless the conditions laid down thereof are met, which permits to increase the said maximum payment period to 60 days).

c) Information about environment

Any operation the main intention of which is minimization of the environmental impact and protection and improvement of the environment is considered as an environmental activity.

The Company has its environmental management system certified as per the norms of ISO 14001:2004, by the firm LLOYDS Register.

The Company has a residual water treatment plant, a gas filtration system in the stripping line, a building for storage of hazardous residues, as well as all the equipment necessary for the prevention of pollution.

During the years 2017 and 2016, the Company has not undertaken a significant investment with respect to the environment although it continues in process of improvement of the installations for the water treatment que takes part in the fabrication process. As on March 31 of 2017, the Company continues ongoing maintaining of this project, that on close of the year, is not totally terminated or functional (Note 5).

The expenses with respect to the protection and maintenance of the environment attributed directly in the profit and loss account are 63 and 52 thousand euros, approximately and respectively on the close of the years 2017 and 2016.

d) Fees of account auditors

During the years ended March 31 of 2017 and 2016, the fees related to the audit services of accounts reached 48 thousand euros, having accrued the additional fees of 16 thousand euros for other services provided by Deloitte, S.L.

e) Sale-purchase commitments

As on the date of the balance sheet, the Company has stock agreements mentioned in Note 8.

f) Remuneration to the Board of Directors and senior management

The Company has adopted, due to confidentiality reasons, the decisión to omit the amount of the remuneratin accrued in the course of the year, related to the Administration body of the Company.

No credits and/or advances have been granted and the obligations related to the pensions and life insurance have not been procured regarding the Company Management in the course of the year. In the year 2017, an amount of 7 thosuand euros have been settled in lieu of civil responsibility insurance of the Administrators.

g) Information regarding conflicts of interest on the part of the members of the Board of Directors

During the financial year ending on March 31, 2017, the members of the Board of Directors of the Company have not done any operations with the Company or with the Group companies outside the normal course or in conditions different from market conditions. Similarly, as on the close of the financial year 2017, the members of the Board of Directors have not maintained relations with other companies which by their activities may represent a conflict of interest for them or for the Company, not having produced any communication to the other members of the Board of Directors or other Directors for the purposes specified in Article 229, which is why the present annual accounts do not include any details in this regard.

h) Events subsequent to closing

From the March 31, 2017 and until the date of preparation of these annual accounts there has not been any event that could be significant and has not been reported in this report.

MANAGEMENT REPORT OF ANNUAL ACCOUNTS AS ON MARCH 31, 2017

As it is well known, since 2008, Spain already has spent a series of trimesters recovering from the crisis that has affected all the ambits of the economy. The gross domestic product has grown during the last years ending in 2016 with an increase of + 3.2% and +0.8% in the first quarter of the year 2017.

The Spanish Government has launched cost-cutting measures to reduce debt over the years 2013, 2014 and 2015, trying to transmit confidence to the international markets, and the growth forecast for the current year is one of the largest in the European Union.

At Layde Steel, S.L.U. we have reached the volumes budgeted in strategic products, trusting the stability of the positive results obtained and of its continuity in the future. On the other hand, the Company has not been able to pass over the entire raw material price fluctuations to the sales market, this being one of the main reasons by which negative results have been generated during the current financial year.

The Management of Layde Steel S.L.U. is focusing its strategy in line with the previous years, maintaining the export of Cold lamination and maintaining the Service Centers integrated with Tata Steel Europe, the Group to which it belongs, as creation of iron and steel value.

As has been mentioned above, the business model implemented by Tata Steel Europe will enable an increase in the sales volumes in sectors considered as key at present, thanks to the contracts supported by the head (eliminating the suspense of sale and purchase price changes) between our clients and our suppliers of the Group.

As on the closing date, the Company has a long-term credit line and other line of factoring without resource, all of them procured with companies of the group to which it belongs.

The Company has maintained an average payment period of 53.37 days during the fiscal year, being within the legal framework.

The Company does not have any activity with respect to the investigation and development or acquisition of own shares.

Integrated system of Quality, Safety and Health and Environment management:

Layde Steel S.L.U. continuing with its philosophy of continuous improvement obtained certification for its Environmental Management System as per ISO 14001 in the year 2007. This System was integrated with the Quality Management System as per ISO 9001.

In July, 2008, the certification of the Occupational Health and Safety Management System was completed as per the OHSAS 18001 norms, having integrated the three systems in to one single System of Management.

Later, the crisis from the second half of 2008 and the important changes happened within the Group, have forced us to leave the latter certification in suspense, orienting the Health and Safety Management towards the new Occupational Health and Safety Management System of Tata Steel Europe itself, which is audited by the Group's own team. This norm is even more demanding than the OSHAS 18001 norm.

Nevertheless, the commitment to quality and its management in Layde Steel S.L.U. has driven us to obtaining the automotive certification ISO/TS 16949 in March, 2014. Thus, at present, our Management System integrates Quality, Environment and Occupational Health and Safety, based on norms ISO 9001, ISO 14001: ISO/TS 16949 and OHSAS 18001, consolidating the first three certifications, and working on the implementation and continuous improvement of the Health and Safety System of Tata Steel Europe, whose requisites are even more demanding than those of OSHAS 18001.

Durango, June 9, 2017

Annual accounts and Management report of the financial year ended on March 31, 2017

The Board of Directors of Layde Steel, S.L.U. on date June 9, 2017 and in compliance with the requirements laid down in Article 253 of the Capital Companies Act, proceeds to prepare the Annual Accounts and the Management report for the financial year ended on March 31, 2017, which consists of the attached documents that precede this statement.

(Signature)

D. Jens Lauber

Chairman of the Board and

Managing Director of Tata Steel

Distribution Europe

(Signature)

D. Thomas Philippe de Butler

Member of the Board

(Signature)

D. Femando Espada Méndez

Member of the Board

Managing Director, Layde Steel SL.U.

Also, the Member of the Board of Directors certifies that the Annual Accounts and the accompanying Management Report, endorsed by him in all its sheets as a token of identification, are those prepared by the Board of Directors in its meeting of June 9, 2017.

(Signature)

D. Femando Espada Méndez

Member of the Board

These accounts are a translated version for information purpose only, the original language version prevails in the event of any discrepancies between the English translation and the original.