

Crucible Insurance Company Limited

Financial statements

For the year ended 31 March 2015

Crucible Insurance Company Limited

Report of the directors

The directors present herewith the audited financial statements for the year ended 31 March 2015.

Principal activities

The company is authorised to carry out insurance business in accordance with the Isle of Man Insurance Act 2008 and Insurance Regulations 1986. The principal activity throughout the year has been that of an insurance company.

Results

The results for the year and their appropriation are set out in the profit and loss account on page 6.

Dividend

The company did not pay a dividend during the year (2014:£nil). The directors do not recommend payment of any dividends for the year ended 31 March 2015 and the retained loss for the year has been transferred from reserves (2014: loss transferred from reserves).

Going concern

The Directors are satisfied with the financial position of the Company and believe that the Company is well placed to meet its liabilities as they fall due. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors of the company holding office during the year and to date are:

J Booth
D A Brown
C Gardner
N Verardi (resigned 24 June 2014)
M Wilson
I M McArdle (appointed 3 July 2014)

Secretary

The secretary of the company at 31 March 2015 was Thomas Miller Captive Management Limited, who served during the year and to date.

Auditor

The auditor, Deloitte LLP, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the board



Secretary

17 June

2015

Level 2, Samuel Harris House
5-11 St Georges Street
Douglas
Isle of Man
IM1 1AJ

Crucible Insurance Company Limited

Statement of Directors' Responsibilities

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

Isle of Man company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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;
- state whether applicable accounting standards have been followed;
- make judgements and estimates that are reasonable and prudent; and
- have the financial statements prepared 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 enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004 as modified by the Insurance Act 2008 and Insurance Regulations 1986. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Crucible Insurance Company Limited

We have audited the financial statements of Crucible Insurance Company Limited for the year ended 31 March 2015 which comprise the General Business Revenue Account, the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Companies Act 1982. 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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004 as modified by the Insurance Act 2008 and Insurance Regulations 1986.

Independent auditor's report to the members of Crucible Insurance Company Limited (continued)

Emphasis of Matter – Adequacy of provision for claims incurred but not reported in relation to Retrospective Deafness

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements relating to the uncertainty associated with the provisions for claims incurred for Retrospective Deafness. The actual total claims and the cost of settling those claims may differ from the estimates that have been used to calculate the provisions as at 31 March 2015, which may result in the ultimate liability being greater or less than the amount that has been provided. It is not possible to quantify the potential effects of this uncertainty.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the company and that proper 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 books of account and returns; or
- we have not received all the information and explanations which to the best of our knowledge and belief, are necessary for the purpose of our audit; or
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

Deloitte LLP

**Deloitte LLP
Chartered Accountants
Douglas
Isle of Man**

17th June 2015

Crucible Insurance Company Limited

General business revenue account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Premiums			
Gross premiums receivable	1	6,051,452	6,200,000
Net premiums written		6,051,452	6,200,000
Decrease in unearned premium		-	851,250
		6,051,452	7,051,250
Claims			
Claims incurred	1	(16,689,259)	(16,274,826)
Commissions paid		-	(65,625)
Underwriting loss		(10,637,807)	(9,289,201)
Attributable investment return	1	971,113	(85,464)
Transfer to profit and loss account		(9,666,694)	(9,374,665)

The notes on pages 8 to 12 form part of these financial statements.

Crucible Insurance Company Limited

Profit and loss account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Transfer to insurance accounts			
General business revenue account		(9,666,694)	(9,374,665)
		(9,666,694)	(9,374,665)
Investment return			
Investment income		1,024,689	1,253,789
Realised gains on investments		145,189	810,697
Unrealised gains/ (losses) on investments		450,369	(2,360,110)
Allocated to general business revenue account		(971,113)	85,464
Discount on loan	13	291,729	273,007
		940,863	62,847
Other expenses	2	(201,355)	(255,833)
Loss from operations before taxation		(8,927,186)	(9,567,651)
Taxation	9	-	-
Loss from operations after taxation		(8,927,186)	(9,567,651)
Dividend paid		-	-
Loss retained for the financial year	7	(8,927,186)	(9,567,651)

All activities relate to continuing activities.

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

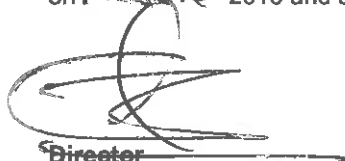
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Crucible Insurance Company Limited

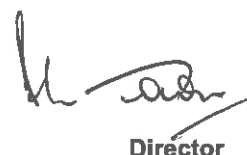
Balance sheet as at 31 March 2015

	Note	2015 £	2014 £
Investments	3	39,105,852	41,593,302
Other assets			
Premiums receivable		-	39,507
Accrued investment income		239,660	261,549
Other insurance debtors		1	63,783
Prepayments		-	-
Bank balances and cash		176,291	141,722
Inter-company loan	13	42,025,353	45,028,592
		42,441,305	45,535,153
Total assets		81,547,157	87,128,455
General business insurance provisions and funds			
Unearned premium		-	-
Claims (including claims incurred but not reported)		(50,670,275)	(47,326,688)
Deferred acquisition costs		-	-
		(50,670,275)	(47,326,688)
Other liabilities			
Commission payable		-	-
Miscellaneous		(22,150)	(19,849)
		(22,150)	(19,849)
Net assets		30,854,732	39,781,918
Representing			
Share capital	5	500,000	500,000
Share premium account	6, 7	9,500,000	9,500,000
Distributable reserve	7	20,854,732	29,781,918
Shareholder's funds	8	30,854,732	39,781,918

The financial statements were approved and authorised for issue by the board of directors on 17 June 2015 and signed on their behalf by:



Director



Director

The notes on pages 8 to 12 form part of these financial statements.

Crucible Insurance Company Limited

Notes to the financial statements for the year ended 31 March 2015

1 Accounting policies

The particular accounting policies adopted are set out below:

Accounting convention

The financial statements have been prepared in accordance with applicable Isle of Man law; applicable United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in 2006) to the extent that they apply to an Isle of Man company and do not conflict with the Insurance Act 2008 and the Insurance Regulations 1986.

All business written is considered to be in respect of continuing operations. The accounting policies have been applied consistently throughout this and the preceding year.

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value.

Going Concern

The Directors are satisfied with the financial position of the Company and believe that the Company is well placed to meet its liabilities as they fall due, despite the current uncertain economic outlook. The Company is operating comfortably within its statutory solvency requirements and it is not dependent on support from group companies. The Directors consider all the assets of the Company to be recoverable including inter-company loans. The Directors believe that there are adequate resources for the Company to continue in operational existence for the foreseeable future and that there are sufficient funds to support the current and planned activities, accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Underwriting

Insurance business written by the company comprises public/products liability, employer's liability, financial loss, professional indemnity, UK motor and personal accident, marine cargo and retrospective deafness. This business is accounted for using the Annual Accounting basis through the general business revenue account. Premiums written and reinsurance premiums ceded are shown gross of commissions, accounted for on an accruals basis and earned on a time apportioned basis.

The Company's claims reserving policy is documented, reviewed and agreed by the Board of Directors. The outcome of the review is minuted. Provision has been made for reported claims as at 31 March 2015 and for claims Incurred But Not Reported (IBNR). Although provisions for claims are based upon the information currently available to the Directors, information at each subsequent year end may show that the ultimate liability is less than or in excess of the amount provided. The methods used and estimates made are continually reviewed and any resulting adjustments are reported in the financial year in which they are made. In summary, and by class of business, the claims reserving policy is as follows:

Marine cargo insurance

Claims provisions are established in accordance with claims bordereaux provided by the fronting insurers. In addition, IBNR provisions are usually maintained for the most recent underwriting years in accordance with the Company's reserving strategy, being equivalent to net earned premium in the first year, 75% of net earned premium for the preceding year and specific provisions for earlier years. This policy has not been renewed since 1 January 2014.

Crucible Insurance Company Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Accounting policies (continued)

Employers Liability, Public/products liability and professional indemnity insurance

Claims provisions are established in accordance with claims bordereaux provided by the fronting insurers. In calculating these provisions care is taken to ensure that the occurrence limits and the annual aggregate limits are not exceeded.

Retrospective deafness

Throughout the year to 31 March 2015, the Board of Directors has continued to regularly monitor the level of provision required in respect of the Company's retrospective deafness liability. An appropriate reserving strategy has been approved by the Board, including a methodology for establishing the level of overall provision required. As a result, the overall provision held at 31 March 2015 has increased to £28,318,000 from £22,237,754 at 31 March 2014. No aggregate limit is in place for retrospective deafness and this, therefore, gives rise to uncertainty about the appropriate level of provision. The provision has been set by reference to claims already received, an estimated number of total possible claims and an estimated average cost of settling those claims. Changes in these estimates may result in the ultimate liability being greater or less than the amount provided.

The bulk of the claims of the captive are handled by Capita. However, during the year the captive was made aware that there was a book of claims that QBE Insurance (Europe) Limited ("QBE") were handling on behalf of Tata Steel Europe Limited ("TSE"). These claims were not previously notified to the captive as the settlement was between QBE and TSE. As a result, there has been an uplift in the current year provision for the retrospective deafness insurance policy of £3,987,000.

Cross class insurance

The Cross Class package covers business previously written under Employer's Liability, Public/Products liability, Financial Loss, Professional Indemnity, UK Motor and UK Personal Accident.

Retentions are £1m each and every loss or series of losses arising out of one originating cause, limited to £10.75m in the aggregate for the year ended 31 March 2015.

Part of the business under the Employer's Liability section, the Vibration White Finger ("VWF") cover, is written on a claims made basis. Following the given period of insurance, this cover closes and any claims reported subsequently will attach to a later policy year. The VWF allocated annual reserve is £525,000 (2014: £525,000) for the year ended 31 March 2015.

Due to the aggregate limit representing all four classes of business, an IBNR formula has been agreed that caters for the different classes within the Cross Class policy. The formula is based on actuarial expectations of claim numbers and claim values provided by the primary insurer, the former influenced by exposure and changes to risk strategy and controls, the latter by inflation and legislative developments.

Credit insurance

Historically provisions have been made for specific notified claims. There have been no claims notified in the current year. This policy has not been renewed since 1 January 2007.

Commissions and expenses

Commissions on marine cargo business are taken to the general business revenue account on an accruals basis. All expenses are taken directly to the profit and loss account.

Crucible Insurance Company Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Accounting policies (continued)

Investment valuation

Investments are held in portfolios managed by a third party fund manager. Investments are carried at market value. In the normal course of investing, forward currency contracts are entered into as a means of hedging against adverse movements in exchange rates so as to preserve the value of foreign investments.

Investment return

Investment return comprises income from fixed interest securities, certificates of deposit, quoted shares and bank deposits, and is accounted for on an accruals basis, along with realised and unrealised capital gains and losses. Investment return is split between the general business revenue account, and the profit and loss account in accordance with the level of underwriting funds and shareholders' funds available. Investment return also includes income on discounted loan notes, which are recorded at discounted cost with the return accounted for under the effective interest rate method.

Cash flow statement

Under FRS 1 (Revised 1996) - 'Cash Flow Statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary whose ultimate parent company prepares a consolidated cash flow statement in which those subsidiary undertakings are included and are publicly available.

2 Other expenses

Other expenses are stated after charging:

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Auditor's remuneration - audit services	3,991	3,991
Directors' remuneration	25,200	17,000

3 Investments

	31 March 2015 £	31 March 2014 £
Fixed interest securities	37,615,311	40,692,893
Other investments	1,746,757	839,690
Deposits, loans and mortgages	(256,216)	60,719
	39,105,852	41,593,302

4 Charge on assets

There is a specific charge over a cash balance of £1 at 31 March 2015 in favour of Pool Reinsurance Limited.

Crucible Insurance Company Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

5 Share capital

	2015 £	2014 £
Authorised 500,000 ordinary shares of £1 each	500,000	500,000
Issued, called up and fully paid 500,000 ordinary shares of £1 each	500,000	500,000

6 Share premium

	2015 £	2014 £
Premium on issue of 500,000 £1 ordinary shares at a premium of £19 each	9,500,000	9,500,000

7 Reserves

	Share premium account £	Distributable reserve £
At 1 April 2014	9,500,000	29,781,918
Loss for the financial year	-	(8,927,186)
At 31 March 2015	9,500,000	20,854,732

8 Reconciliation of movements in shareholder's funds

	2015 £	2014 £
Loss for the financial year	(8,927,186)	(9,567,651)
Opening shareholder's funds	39,781,918	49,349,459
Closing shareholder's funds	30,854,732	39,781,918

9 Taxation

The Company's profits are subject to Manx income tax at a rate of 0%. Accordingly, no provision for liability to Manx income tax has been included in these financial statements.

Crucible Insurance Company Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Related party transactions

The company is a wholly owned subsidiary of Corus International (Overseas Holdings) Limited, a company incorporated in the UK. The ultimate parent company and controlling party is Tata Steel Limited, a company incorporated in India.

The financial statements of the company are consolidated into the financial statements of Tata Steel Europe Limited, which is the parent company of the smallest group to consolidate these financial statements. The financial statements of Tata Steel Europe Limited can be obtained from the Company Secretary, Tata Steel Europe Limited, 30 Millbank, London, SW1P 4WY. The company is therefore exempt from compliance with Financial Reporting Standard 8 - 'Related Party Disclosures' pursuant to paragraph 3(c) of that standard.

11 Segmental analysis

The directors are of the opinion that the company does not operate in more than one business segment or from more than one geographical area. All business is written from the Isle of Man.

12 Letters of credit

The Company has a Letter of Credit Facility in place with HSBC Bank plc. There are two evergreen Letters of Credit in existence under this facility all issued by HSBC Bank plc of £30m and £0.2m respectively. See section V within the Supplementary information for further details. The overall facility limit is £35,000,000.

13 Inter-company loan

On 20 February 2015, the Company issued a discounted loan note of £42,057,856 with an discount rate of 0.9988244% to Tata Steel UK Limited, a fellow group subsidiary. This discounted loan matured on 20 May 2015.

On 20 May 2015, the Company issued a discounted loan note of £42,060,012 with an discount rate of 0.9985732% to Tata Steel UK Limited, a fellow group subsidiary. This discounted loan matures on 20 August 2015.

Total income for the year arising from this loan and its previous placements amounted to £291,729 (2014: £273,007).

The loan is unsecured and is conducted on an arms length basis.