TATA STEEL

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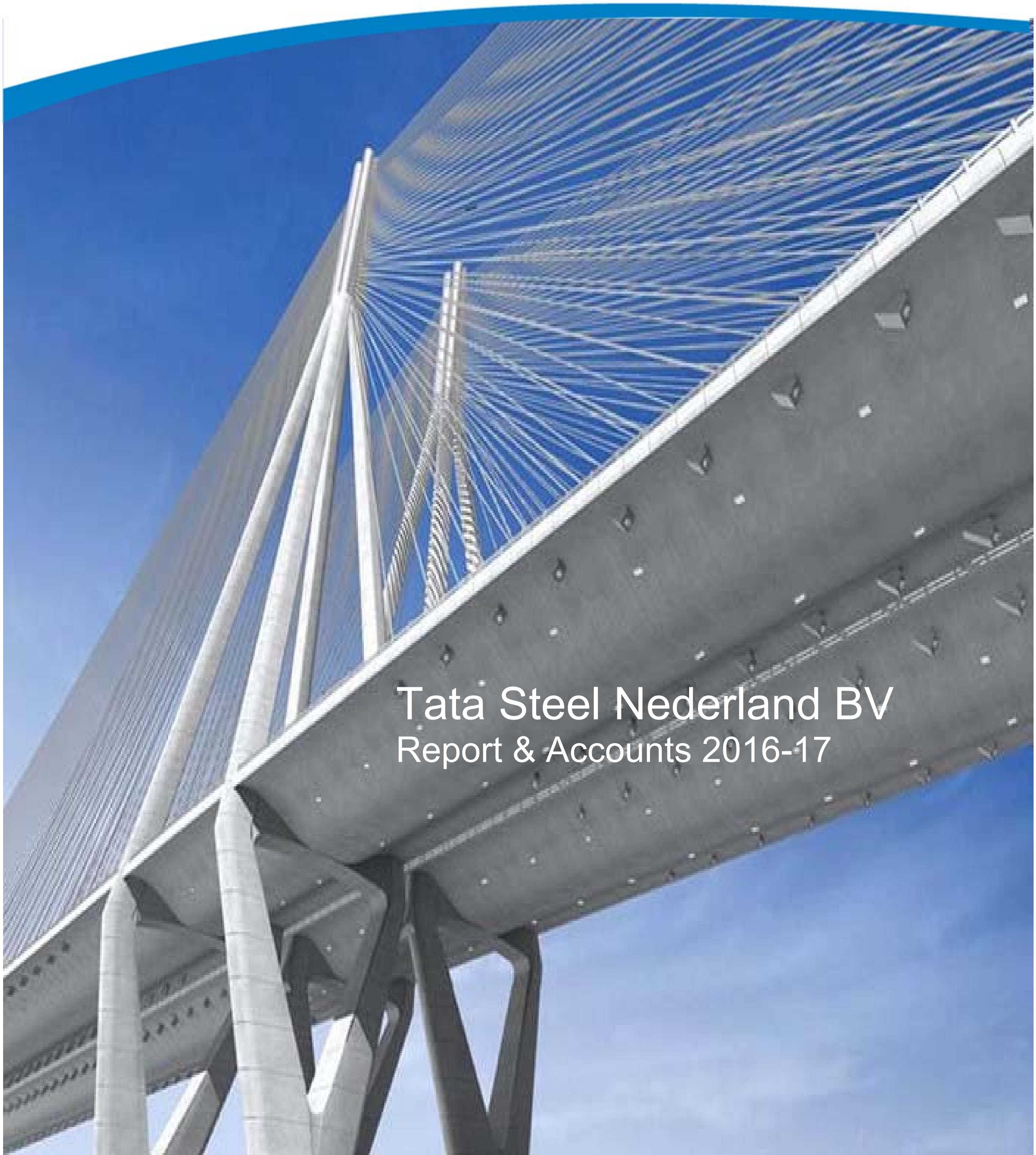

Tata Steel Nederland BV

Report & Accounts 2016-17

Contents

A. Report of the Supervisory Board

Introduction

The Supervisory Board (hereafter: 'the Board') supervises the policies pursued by the Board of Management (hereafter: 'the BoM') and the general course of affairs of Tata Steel Nederland B.V. (hereafter: 'TSN'). The Board takes into account the interests of all the Company's stakeholders, and advises the BoM thereon. The Board regards good corporate governance as an essential foundation for the long-term success of TSN and the Tata Steel Group, and an essential element to the delivery of its strategy.

Composition of the Board

The members of the Board are appointed by the shareholders in TSN, at the recommendation of the Board itself. The Board and its members are not bound by any instructions and shall not receive a binding mandate. At least half of the members of the Board are not in any way involved in the management or supervision of companies belonging to the Tata Steel Group. Every third member of the Board is appointed with the enhanced right of recommendation of the Central Works Council. Throughout the year, the Board consisted of Mr. J.H. Schraven (Chairman), Mr. M.J.L. Jonkhart, Mrs. L.M.T. Boeren and Mr. J.L.M. Fischer.

Meetings and activities

Six meetings were held during the year. All the Board members were present at each of these Board meetings. In addition, members of the Board attended Central Consultative Meetings of the BoM and the Central Works Council, providing information on the meetings of the Board. From time to time they interacted with management and members of the Central Works Council outside the formal meetings, both collectively and individually.

The Board was briefed in all the meetings on the developments regarding the company and its financial, business, operational and health & safety performance, including evaluations and follow up of incidents. The Board also discussed the operational and financial risks and their mitigations. In addition, the Board discussed several recurring subjects, such as operational and financial risk management, the issue of cyber security, the financial situation and the governance of IJmuiden's pension scheme, environmental matters (e.g. CO2 emissions and new low carbon steel making technology through HIsarna), local sponsorship focused on corporate social responsibility, the relationship with the employees, audit activities, and global market developments, including the impact of Chinese imports and possible policy changes in the United States of America.

In its meeting on 22 April 2016, the main items on the agenda were health & safety, the competitive position of

TSN, the financial position of TSN, including financial support to the Group, and an update on various topics in relation to the developments in the United Kingdom.

In its meeting on 22 June 2016, the main items on the agenda were health & safety, the financial position of TSN, including financial support to the Group, audit, the annual plan, the annual accounts for FY2016, strategic options for the TSN supply chain, and an update on topics in relation to the developments in the United Kingdom.

In its extra meeting on 22 August 2016, the main items on the agenda were updates on discussions with the Group, an update on topics in relation to the developments in the United Kingdom, and the financial support to the Group.

In its meeting on 6 October 2016, the main items on the agenda were health & safety, the strategic relevance of the French markets, the financial position of TSN, including financial support to the Group, the strategic capex programs STAR 1 and STAR 2 focussing on the further development of high-end-high-value products for e.g. the automotive markets the project Sustainable Profit in IJmuiden, and an update on topics in relation to the developments in the United Kingdom.

In its meeting on 9 December 2016, the main items on the agenda were health & safety, the TSN strategy, the project Sustainable Profit, the financial position of TSN, including financial support to the Group, audit, and an update on topics in relation to the developments at shareholder level, e.g. the global and European overcapacity and the possibility of a joint venture between Tata Steel Ltd. and thyssenkrupp AG. The TSN strategy was also shared in a joint session with the Central Works Council.

In its meeting on 16 February 2017, the Board evaluated its functioning over 2016, and the main items on the agenda were health & safety, the project Sustainable Profit in IJmuiden, Strategic Workforce Planning, audit, the financial position of TSN, including financial support to the Group, and an update on topics in relation to the developments at shareholder level.

Outside of the formal Meetings the Board and the BoM also met with representatives of the shareholder to discuss the interests and desired involvement of TSN in relation to a possible joint venture between Tata Steel Ltd and thyssenkrupp AG.

Financial statements

For the financial year 2016/17, the consolidated income statement shows a net profit after taxation (including minority interests) of €211m (2015/16: €157m). TSN experienced improved steel market conditions in FY17 resulting in higher margins and realised benefits from cost saving projects.

On 31 May 2016 a dividend in kind of the shares of Tata Steel France Rail SAS was paid to Tata Steel Netherlands Holdings B.V. (hereafter: 'TSNH') for an equivalent amount of €70m. The dividend in kind was related to the sale of Longs Steel UK Limited to Greybull Capital LLP.

On 29 March 2017, the Board supported the BoM's proposal to pay an interim dividend of €75m to TSNH as the owner of all outstanding ordinary shares in TSN. The interim dividends above are proposed as a final dividend and no further dividend is proposed.

Pursuant to Article 29 of the Articles of Association, we hereby present the Annual Accounts for adoption by the General Meeting of Shareholders of TSN. The auditors, Deloitte Accountants B.V., have examined the Annual Accounts for 2016/17 and have issued an unqualified auditor's opinion. The members of the BoM and the Board, after discussion with the external auditors, have approved these Annual Accounts.

We recommend that the General Meeting of Shareholders adopts the Annual Accounts for the financial year 2016/17 as presented and discharges the members of the BoM and the Board of responsibility in respect of their management and supervision respectively.

The Board is grateful to the BoM and all TSN employees for their efforts and dedication during the financial year 2016/17.

Supervisory Board

J.H. Schraven, Chairman

M.J. Wisselink, Secretary

IJmuiden, 12 July 2017

B. Report of the Board of Management

Introduction

The Board of Management (BoM) herewith presents the annual report together with the audited accounts of Tata Steel Nederland B.V. ('TSN' or the 'Company'), and its subsidiary companies, for the year ended 31 March 2017 (FY17).

TSN is a wholly-owned subsidiary of Tata Steel Netherlands Holdings B.V. ('TSNH'), an unlisted company based in the Netherlands. TSNH is owned by Tata Steel Europe Limited ('TSE'). The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on BSE Limited (formerly the Bombay Stock Exchange Limited), Mumbai and the National Stock Exchange of India, and with global depositary receipts listed on the London and the Luxembourg Stock Exchanges.

TSN holds all shares in Tata Steel IJmuiden B.V. whose main assets are the steelmaking hub Strip Products Mainland Europe (SP MLE) and Packaging manufacturing activities in the Netherlands and Belgium. Other subsidiaries cover various activities in markets such as building & construction, automotive, color coated steels and packaging, both in Europe and beyond.

The BoM hereby declares that, to the best of its knowledge, the Company's financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole and that the Report of the BoM gives a true and fair view concerning the position as per the balance sheet date, the development and performance of the business during the financial year of the Company and the undertakings included in the consolidation taken as a whole.

The BoM would like to express its gratitude to all TSN employees for their contributions to the Company's performance in FY17 and their support to realise the result for the current year.

Principal business activities

The principal activities of the Company comprise the sale and manufacture of steel products throughout the world. TSN produces carbon steel by the basic oxygen steelmaking method at one integrated steelworks in IJmuiden, the Netherlands. This plant produced a total of 6.9mt of steel products in the current year (FY16: 7.1mt).

The Company organises its commercial activities into strategic sectors and these sector teams identify demand, which is met from a single, pan-European, supply chain function.

The Company has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets and countries for distribution and further processing of steel products.

The business, objectives and strategy

The steel industry is a highly cyclical industry. Financial performance is affected by general macroeconomic conditions that set the demand from the downstream steel using industries, as well as by available global production capacity and exchange rates relativities. As integrated steel players seek to maintain high capacity utilisation, changes in margins across regions lead to changes in the geographical sales pattern. As a result, in addition to market developments in Europe, changes in the global market for steel influence TSN's financial performance.

The Company's main business is Strip Products Mainland Europe. Other large businesses are Packaging, Tubes, Distribution and Building Envelope.

Europe remains the most important market for TSN's steel products. The major operating site of TSN is the integrated steelworks at IJmuiden in the Netherlands, which includes a number of rolling mills and processing lines. Further processing is done at other TSN sites, such as the coating works in Maubeuge, France, the galvanizing line in Flemalle, Belgium, the tube mills in Oosterhout, Zwijndrecht and Maastricht, the Netherlands, the cold narrow strip mills and plating lines in Düsseldorf, Germany, and in Warren and Bethlehem, USA. TSN, also working through Tata Steel Regional Market Development, has an extensive network, both in the EU and outside the EU, of sales offices, stockholders, joint ventures or similar arrangements, such as agents, in various markets for the distribution and further processing of steel products.

TSN's principal end-markets are the automotive, packaging and construction sectors.

TSN is continuing with its strategy of focusing on carbon steel to create long-term value for its stakeholders within a sound financial framework through:

- A top quartile cost position in Europe;
- Continuously improving the service performance;

- Increasing the sales volumes of speciality products;
- Continuing to move the product sales mix to more attractive automotive and construction markets; and
- Capturing growth opportunities with new and existing customers.

Important for the future of the Company is the investment program referred to as Strategic Asset Roadmap (STAR). This program will enable a state of the art asset base and an extension of the product portfolio in high value products whilst at the same time maintaining the Company's low cost position in Europe. TSN can grow in high-value markets, such as Automotive, Lifting & Excavating, Packaging and Building Envelope. This requires a complete product portfolio, very stable production and the highest delivery performance. Targeted investments will allow TSN to meet these requirements and will contribute to a sustainable profit for Tata Steel in IJmuiden. In FY17, the first series of investments from this programme have been initiated.

Economic climate

Global GDP growth in 2016 was 2.3% (2015: 2.7%). The Eurozone economy grew by 1.7%, which was slightly lower than in 2015 (1.9%). In order to avoid a deflationary environment the European Central Bank extended the quantitative easing programme causing a further depreciation of the euro. Growth in China again decelerated, in 2016 to 6.7% (2015: 6.9%).

Global steel market

Global steel demand is estimated to have increased by 1.0% in 2016 to 1,514mt (2015: decrease of 2.9%). Demand for steel in China contracted by 1.3% to 681mt compared to a decrease of 5.4% in 2015. Steel demand in the EU grew by 3.2% to 156mt (2015: 3.4%), mainly due to automotive growth. The number of cars and trucks produced by the EU rose by 3.3% in 2016 (2015: 7.5%). Construction activity increased by 1.7% (2015: 0.6%).

In 2016, global steel production increased by 1.0% (2015: increase of 3.4%) to 1,609mt. Steel production in China increased by 1.5% to 807mt (2015: decrease of 3.0%) and equated to 50% of global steel production. In the EU output decreased by 2.3% to 162mt (2015: decrease of 2.0%).

In 2016 the EU was a net importer of steel with imports of 35.4mt exceeding exports of 24.6mt. Exports from China stabilised in 2016 at 108mt worldwide (2015: 112mt). Global steelmaking capacity utilisation decreased from 69.7% in 2015 to 69.4% in 2016. EU utilisation rates decreased from 72.9% in 2015 to 71.5% in 2016. The EU has raised import tariff to counter the dumping of steel from countries in Eastern Europe and China. These ratings will be reassessed on a quarterly basis.

Steel spot prices rose globally during 2016 as a result of increased raw material prices and higher than expected steel demand in China.

Raw materials

The principal raw materials used in the carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price of iron ore fines (China CFR 62%) increased significantly in 2016 from $41/t in January to $80/t in December due to strong demand for iron ore globally. Hard coking coal spot prices (Australia FOB) also increased from $78/t to $259/t during 2016 as the Chinese government decided to impose production restrictions on Chinese coal mines causing supply tightness. Scrap prices also increased in 2016, in line with the price increases for iron ore and hard coking coal.

Trade

Changing trade flows are causing an increase in the amount of anti-dumping measures. Amongst others the US and EU have issued duties for a broad range of products, including hot rolled and cold rolled coil.

In 2016 EU steel demand growth was mainly fulfilled by imported steel. Steel deliveries in the EU increased by 4.9mt with EU mills and imports contributing 1.9mt and 3.0mt of this increase respectively. This resulted in an increased market share for imports in the EU to 22.6% in 2016 (2015: 21.4%).

Financial review

The Company's turnover decreased from €4,771m in FY16 to €4,556m in FY17. Operating profit increased from €202m in FY16 to €271m in FY17. The result before taxation and tax charge in FY17 amounted to €285m and €(74)m respectively. The consolidated net profit after taxation (including minority interests) amounted to €211m, an increase of €54m compared with FY16.

Consolidated capital and reserves (including minority interests) increased by €87m to €2,604m at the end of FY17.

The increase of €87m consisted of:

- The profit for the period of €211m;
- Other comprehensive income of €21m mainly consisting of actuarial gains on defined benefit pension and other post-retirement plans and movements in the cash flow hedges;
- Dividends of €145m paid during the year to the shareholder, TSNH. Of the €145m total €75m was paid in cash and €70m was paid in kind via the transfer of the shareholding of Tata Steel France Rail SAS.

Net cash flow from operating activities totalled €135m, a decrease of €354m compared with FY16. Net cash flow from investment activities amounted to €(327)m (FY16: €(265)m). Including movements in external loans and loans with other group companies, the net cash flow amounted to an outflow of €(148)m (FY16: €107m inflow).

An important strength of TSN is its solid balance sheet, with only a limited level of borrowing.

The majority of the external borrowings of TSE are accounted for by a senior facility agreement (SFA) which was successfully refinanced in October 2014. The SFA comprises:

- a bullet term loan facility of €370m for five years;
- an amortising term loan facility of €1,500m for seven years (amortisation starts from the end of year five);
- an amortising term loan facility of US$379.5m for seven years (amortisation starts from the end of year five); and
- a revolving credit facility of £700m for six years (this facility may be extended by a further year if certain conditions are satisfied), of which £100m is reserved for the exclusive use of TSN. TSN also has access to a €400m intercompany loan facility with Tata Steel UK Ltd ('TSUK') and TSNH expiring on 1 November 2021.

The SFA term loans are denominated in euros and US dollars. However, 100% of the proceeds received in US dollars have been hedged into euros. The refinancing of the SFA was accompanied by a €800m subordinated loan injection into TSE from Tata Steel Global Holdings ('TSGH').

At the end of the financial year, no money had been drawn by TSN under the revolving credit facility and no drawings were made under the intercompany loan facility.

Depending on TSN's actual cash positions and its cash flow forecasts, and taking into account the Policy for Surplus Cash, various amounts have been lent to TSNH and TSUK for various periods. Dividends of €145m were paid in FY17. The sum of these interim dividends is proposed as final for FY17.

Capital expenditure

Capital expenditure on tangible fixed assets (including loose plant, tools and spares additions) in FY17 amounted to €323m (FY16: €240m). Significant capital expenditure has been committed in the Strip Products Mainland Europe business on the Strategic Asset Roadmap Programme (STAR) to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. During FY17, these included preparation for the installation of a new caster (continuous caster 23) to allow enhance casting capabilities for advanced products, and the replacement of a coiler at the Hot Strip Mill with a Heavy Duty coiler. Other major projects ongoing throughout the year in Strip Products Mainland Europe included the replacement of converter 21 and 22 and the new coke oven gas holder project. In the Packaging business, a major capital project ongoing during FY17 included the introduction of Protact® NG, a multi-layered polymer system that meets increasingly stringent food packaging requirements.

TSN Business review

Health and safety

Health and safety continues to be TSN's first priority as it strives to be the industry benchmark.

Positively there were no fatal accidents in TSN for the fifth consecutive year in 2016/17. For the programme 'Taskforce Safety' in IJmuiden a review was performed to further improve its effectiveness. Senior management has had a training in process safety, which is now a regular topic in local safety audits. A group of forty maintenance contractors and Tata Steel IJmuiden management have now combined efforts to improve the safety performance of contractors. One of the first successes is the construction of the Safety Centre where both own staff and contractors employees perform their safety induction. Despite all the efforts, TSN's safety performance as measured by the combined lost time injury frequency rate ('LTIF') worsened this year to 1.5 compared to 1.2 in FY16. TSN has increased its safety standards by focussing on process controls, which addresses continuous awareness and monitoring of all operating processes. The sickness rate of 4.69% slightly improved this year compared to 4.74% in FY16. In IJmuiden the contract with the new occupational health provider "Zorg van de Zaak" was implemented in February 2017.

Tata Steel Strip Products MLE

TS Strip Products Mainland Europe (SP MLE) manufactures hot rolled, cold rolled and metallic-coated steels for the automotive and transport industries, building and construction, consumer appliances and electronics, and general engineering.

The Lost Time Injuries (LTI) rate of SP MLE employees in 2016/17 was 0.8 which was 0.2 better than last year. The rolling LTI rate for contractors was 1.9 bringing the combined (i.e. employees and contractors) 12month rolling Lost Time Injury Frequency (LTIF) to 1.0 (0.2 below last year's rate).

The FY17 operating result after restructuring, impairment and disposals was higher than in FY16 due to better margins, despite the negative impact from the dumping of steel byChina.

Deliveries in FY17 decreased slightly compared with last year due to a decrease in liquid steel production, caused by the converter repair and a fire at a power station.

As a result of the continuing focus on manufacturing stability, several plants at the IJmuiden site set new production records in 2016/17. The Cold mill 22 and Hot Dip Galvanizing Line 3 realised annual records of 978kt and 563kt respectively.

Tata Steel Packaging

Tata Steel Packaging is a supplier of light-gauge steel for packaging and non-packaging applications, based in IJmuiden, the Netherlands, with an additional production facility in Duffel, Belgium.

The LTI rate in 2016/17 was 1.8 which was 0.6 higher than the previous year.

The FY17 operating result after restructuring, impairment and disposals was slightly better than in FY16 driven by costs savings, stable margins and stable deliveries.

Production volume in IJmuiden in FY17 was almost at par with last year.

Tata Steel Nederland Tubes

Tata Steel Nederland Tubes is one of Europe's leading manufacturers of welded steel tubes. From small to large diameters, a variety of wall thicknesses and grades of steel, it manufactures one of the widest ranges of welded steel tubes available for greenhouses, construction projects, steel structures and the automotive industry.

During the fiscal year there were two lost time injuries (FY16: 1).

The margin has improved through continued costs savings and lower production costs, although volumes remained behind versus last year. The Zwijndrecht site has invested in a state of art cold saw. This delivers a clean end directly from the mill, which is an entry level qualifier in all tubes markets.

Tata Steel Distribution Europe

Tata Steel Distribution Europe comprises a network of service centres and further processing capabilities across Europe.

The LTI rate in FY17 was 0.0 against 0.8 last year. The FY17 operating result improved significantly as a result of higher margins in various geographies and higher demand. The strategy is to focus on margin rather than volume. Production at the Blume site in Germany was stopped this fiscal year.

Tata Steel Building Systems

Tata Steel Building Systems comprises a network of manufacturing bases providing a wide range of steel products for the building industry worldwide.

There were 7.0 LTI's during FY17. This resulted in a combined 12month LTIF rate of 4.4 compared to 0.6 last year.

The FY17 operating result was significantly better than in FY16. The performance in various markets differed much depending on the competitive situation in each market.

Tata Steel Colors

Tata Steel Colors is an international business with significant experience developing and manufacturing pre-finished steels. Applications include building envelope, roof and wall cladding, domestic appliances, consumer products, bake ware and specialist applications.

The LTI frequency rate of employees in FY17 was 2.8 which is a deterioration compared to last year.

The FY17 operating result was significantly better than FY16 mainly due to a better margin spread.

Tata Steel Plating

Tata Steel Plating has unique expertise in the rolling, annealing and electrolytic plating of cold-rolled narrow steel strip and its downstream processing. The business is the world's leading supplier of materials for the production of battery cases and its products are used for diverse applications in the automotive industry.

In 2016/17 there were 2 LTI's .

The FY17 operating result was better than FY16 mainly due to higher delivery volumes.

Tata Steel Kalzip

Tata Steel Kalzip specialises in the international manufacture and supply of tailored metal solutions for building envelopes.

The combined 12 month rolling LTIF was 4.5 (4.5 worse than last year).

The FY17 operating result was lower than FY16 due to lower volumes dispatched in Europe. In FY17, Kalzip divested its investment in China. Further restructurings have been executed.

Tata Steel Regional Market Development Europe

Tata Steel Regional Market Development Europe is the specialist supply chain management business unit of the Tata Steel Europe Group. The business manages an international network of offices in nearly fifty countries and stock facilities in strategic locations worldwide.

As during the previous financial year, there were no LTI's.

The FY17 operating result was higher than in FY16, because of cost savings realised during the year .

Total volumes were slightly higher than in the previous year with a shift between the various geographies in which the company operates.

Research & development

Research & Technology programme

Approximately 85% of the TSE technology programme was developed under the governance of the Global Expert Committees ('GECs') of Tata Steel in the year, which cover process development and product market sector developments. The remaining capacity was allocated to the Strategic Thrust programme for various projects including:

- HIsarna technology to produce steel from lower grade raw materials without the need for coke making or agglomeration processes. This will improve efficiency and reduce energy consumption as well as reduce CO_2 emissions.
- Graphene based value add products focused on the development of high value niche market segments for coated products.
- Physical vapour deposition, a cold zinc coating technology that allows an extension of TSE's zinc coated product range towards the future UHSS automotive grades well above 1000 MPa.
- Ultra-flexible annealing of tubes that allows multiple end product specifications to be produced from a limited number of master chemistries, whilst improving the properties of the end product.

Product market sector developments

A key element of the Group's strategy is the development of new steel products. Structured programmes are initiated for all market segments identified by strategic marketing with particular emphasis on the automotive, construction, packaging, lifting & excavation and energy & power sectors.

During 2016/17 20 new products were introduced into the Group's product portfolio (2015/16: 31), and included the following:

- GI FF with prime lubricant treatment which improves press performance during the deep drawing of GI Full Finish. The product enables a switch from EG to GI and stimulates the sales of GI FF Serica®.
- DP800 GI HyperForm for automotive end use.

- XPF 800, a revolutionary new grade for application in automotive structures, that combines high strength with improved hole expansion capabilities.
- PROTACT® width extension to further expand application opportunities in this growth market.
- Extension of the Coretinium® product line, a new innovative product that combines light weighting with high stiffness to offer a viable, lightweight and durable alternative for customers in the automotive, transport and manufactured goods sectors.
- Colorcoat purlins to strengthen the supply chain for branded organic coated products by developing additional routes to market.
- Woodgrain print, a differentiated OCS product strengthening TSN's position in the manufactured goods sector.
- BE Sandwich Carrier System, to facilitate integration of composite panels into a building façade.

People

Pension scheme

Stichting Pensioenfonds Hoogovens (SPH) operates the pension scheme of the IJmuiden site in the Netherlands. In December 2014 TSN and the Dutch trade unions agreed to implement with effect from 1 January 2015 a new pension agreement. As part of the new pension agreement, the Company agreed with the Dutch Trade Unions to fix the Company's contribution level at 28% of pensionable earnings for the three year period from 1 January 2015 to 31 December 2017. In the months ahead, TSN and the trade unions will engage in consultation regarding the arrangements for 2018 and beyond.

Employment policies

There are established arrangements for communication and consultation with Works Councils and Trade Union representatives, to systematically provide employees with information on matters of concern to them.

During the year several requests for advice on organisational and financial subjects were discussed and concluded with the Central Works Council.

In May 2017 a principal new two year TS IJmuiden collective labour agreement (CLA) was negotiated.

Environment

Policy

The Group is committed to minimising the environmental impact of its operations and its products through the adoption of sustainable practices and continuous improvement in environmental performance. As such, respect for the environment is critical to the success of the Group. To implement its environmental policy, systems are in place to manage and minimise the effects of the Group's operations. For example, 100% of manufacturing operations are certified to the independently verified international environmental management standard, ISO 14001.

Climate change is one of the most important issues facing the world today. TSN recognises that the steel industry is a significant contributor to man-made greenhouse gas emissions as the manufacture of steel unavoidably produces CO_2. However, TSN's products are also part of the solution to climate change. Steel has inherent environmental advantages, as it is durable, adaptable, reusable and recyclable. As a result, CO_2 emissions in steel production can be offset by reductions in direct & indirect emissions through the life cycle of steel products, achieved through effective product development and design and through recycling at end-of-life. Within the European steel industry the IJmuiden works is recognised as one of the leading facilities in CO_2 reduction.

Furthermore, TSN aims to contribute positively to the communities around or near to its operations.

Energy efficiency and CO2 emissions

In the Netherlands, the Group currently participates in a voluntary agreement with the Dutch government regarding energy efficiency improvements over the period 2013 to 2016 inclusive. The primary requirement of the agreement is an energy efficiency improvement of 2% per annum, covering both energy used within the manufacturing process and energy saved across the product life cycle. The total energy efficiency improvement in 2016 was 4.9% (2015: 4.0%).

Environmental Permit issues

In 2016 Tata Steel obtained a permit regarding the Dutch nature conservation act. The main topic in the permit application is the nitrogen deposition in nature conservation areas (Nature 2000 areas) in the vicinity of the Tata Steel site. In the permit regulations Tata Steel succeeded in securing the nitrogen emission in accordance with the production of 8mt of steel per annum. However also part of this new permit are 2 permit regulations in which Tata Steel is forced to compensate some of the negative effects of the nitrogen deposition in the nature conservation areas. At first Tata Steel will draft a landscaping plan with the aim to improve and connect ecosystems on the site with the Nature 2000 areas around us. The last concept of this plan has been presented to both internal and external stakeholders and will be submitted to the authorities this summer. The plan will also be used to facilitate or even stimulate nature development on temporary undeveloped area (in Dutch "tijdelijke natuur") without disrupting future developments in TSN's operations. In a second plan Tata Steel will reduce the NO_x emissions with at least 5% of the so-called mobile nitrogen oxide sources. These are the low nitrogen oxide sources like (shipping)traffic and working tools which use diesel fuel.

According to the Industrial Emissions Directive (IED) in March 2016 the Conclusions on Best Available Technique (BAT) from the BREF Iron & Steel had to be implemented in the permit. Tata Steel is working together with the permitting authorities on how to interpret these conclusions on BAT and how to apply these in our new permit. The main adjustments are related to the monitoring of air emissions. Tata Steel is still in discussion with authorities about possible installation adjustments at the Coke plant and the Pellet plant.

The new ELV's for the steam boilers from the Energy Department will be based on the BREF for Large Combustion Plants and finalized around April 2017. After publication the implementation time will be 4 years.

The company continues to invest substantially in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, TSE is also working with other steelmakers in Europe on a longer term major research and development project to develop a new smelting reduction technology ('HIsarna') to produce steel from lower grade raw materials without the need for coke making or agglomeration processes, thereby improving efficiency and reducing energy consumption as well as reducing CO_2 emissions and emissions of other component's such as dust, dioxins and heavy metals. Preparations have now started for an endurance test period of about 6 months in 2017. All results obtained in the HIsarna pilot plant will be included in the design of a full scale demonstration plant of about 1 million tonnes of iron per annum.

Environmental complaints

In 2016 the number of total complaints was about 33% higher in comparison with 2015. Noise complaints originate mainly from the Beverwijk area, odour as well dust complaints are mainly coming from Wijk aan Zee. In 2016 84% of the total complaints were related to dust (2015: 75%), 9% were related to odour (2015: 11%), and 7% to noise (2015: 14%). Noise and odour complaints are more or less stabilising at the same level, the number of dust complaints is still a big concern. In 2016 Tata Steel started a research project with so called air boxes. With these air boxes indicative dust measurements and meteorological data are combined in a distribution model to get direct information about the source of the dust emission. The first results show that although BOS slag handling is causing a lot of dust complaints, changes in production processes are also responsible for dust complaints. The air box results are likely to allow specific measures to be undertaken to control dust emissions.

As part of its overall strategy to reduce environmental complaints, Tata Steel IJmuiden organises regular meetings with citizens of Wijk aan Zee. The purpose of these meetings is to inform the local community about measures taken by the Company to reduce emissions and avoid environmental nuisance, and to listen to people's main issues and concerns regarding TSN's activities. Tata Steel also continues to publish an online environmental news report to inform stakeholders about new developments and possible activities that could cause environmental nuisance.

Regional developments

Although the local air quality is currently in compliance with European air quality standards, local politicians have the ambition to look for improvement opportunities. This will be discussed in the environmental dialogue that is ongoing with all relevant governmental and other organisations in the Region.

Although not part of but in agreement with the permit regarding the Dutch nature conservation act, Tata Steel signed a partnership agreement with the PWN (Provinciaal Waterleidingbedrijf Noord-Holland), a public company responsible for amongst others maintaining the Nature 2000 area neighbouring north of the IJmuiden site. The content of this partnership will be developed in 2017 with nature excursions at the site for people from the neighbourhood. The publication of this partnership caused a lot of very positive attention of local and national press and even some radio and TV programs (“Vroege Vogels”, TV- Noord-Holland) shot a film about nature at the Tata Steel site in IJmuiden.

National and European Policy developments

The European Commission has decided that the ambient air quality limits will not be lowered yet because too many European countries are not yet complying with the current ambient air quality directive. The National Emission Ceiling (“NEC”) directive was revised in 2016. The revised NEC directive will contain lowered ceilings for a.o. NOx and SO_2 for 2025 and 2030, and for the first time a ceiling for PM2.5. These ceilings are set for each of the EU Member States. For the Netherlands no additional national policy will have to be established to meet these targets.

The revision of the BAT Reference Document for Large Combustion Plants (BREF LCP) was finalised in April 2017 and will be published in mid-2017. Member States have to implement this Regulation into national legislation or transpose it into environmental permits within 4 years after publishing. That is also the case for the power stations using process gasses from the Iron & Steel industry. In the event that some requirements cannot be met, the issue will be discussed with the Ministry of Infrastructure and Environment.

The European Commission has launched an action plan to support the Circular Economy. The Circular Economy offers Tata Steel a lot of opportunities as steel is a permanent material. It's also in favour of technologies like HIsarna, as it might help to recycle zinc (which is a scarce material) and reduce the use of coking coal. Tata Steel is also involved in the Dutch ‘resources agreement’ (Grondstoffenakkoord), which is a implementation of the Circular Economy in the Netherlands.

In the Netherlands, new regulation is under development about the physical environment (Omgevingswet). This will replace 26 acts and 117 decrees. Tata Steel is in favour of a simplification of the legislation. Although this huge change is not meant to change the level of protection of the physical environment, Tata Steel keeps an eye on the impact of this system change. The act has already been approved by Dutch parliament. The decrees, ministerial rules and some additional tracks are still under discussion. The complete change should be ready by the beginning of 2019.

Principal risks and risk management

Within the wider Tata Steel Europe Group, active risk identification and mitigation management is an integral part of all business management processes.

Building on the risk management procedures and reporting framework that are applied throughout Tata Steel Europe, TSN has a robust process to identify and monitor the significant risks and associated mitigating measures for its operations and activities.

Risk registers that are prepared by the individual entities of TSN are consolidated in an overall TSN risk register, highlighting potential impact of the risks as well as probability of occurrence. The TSN risk register is updated every six months.

After every update a selection of the “Top 10” risks and mitigation measures is reviewed by the Board of Management together with the Supervisory Board.

Critical risks can be summarised as follows:

Risks	Mitigating factors
Health, safety, environmental and other compliance matters	
TSN businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety, the environment and regulatory compliance in the countries in which it operates. The risk of substantial costs, liabilities and damage to reputation related to these laws and regulations are an inherent part of the Group's business. Improving environmental performance and its linkage to "license to operate" are at risk from increased unit costs for the European Union Emissions Trading Scheme (EU ETS) and a reduction in the free allocation of CO_2 units. There is an expectation that after 2020 CO_2 allocations under EU ETS are likely to be substantially lower than projected emissions. In addition there are specific environmental performance targets linked to financial penalties in the Netherlands. TSN's priority at all times is health and safety and available capital funding is targeted on these schemes, which constrains and defers other expenditures. Repetition of safety incidents could enforce preventive and/or temporary closure of one of the production units.	TSN has policies, systems and procedures in place aimed at ensuring compliance and there is also a strong commitment from the Board of Management to enforce compliance, to continuously improve health and safety performance and to minimise the impact of TSN's operations on the environment. TSN continues to engage with legislators to secure a level playing field, for example in areas such as the REACH (Registration, Evaluation, Authorisation & restriction of Chemicals) scheme and EU ETS. The disparities in legislation across steel producers reinforce the continued need to build brand reputation and customer loyalty. Contact with relevant public authorities is sought to amend regulation which is disproportionate for production entities with a relative high number of employees and therewith a potential inherent risk of safety incidents.
Our workforce	
The economic climate, the global steel market and related challenges for TSN continue to put pressure maintaining a critical mass of engineers and other specialist functions.	Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing TSN. This is also complemented by strategic collaborations with Technical Universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention.

Risk	Mitigation
Trading in the global steel market	
US regulators and others around the world are pushing to protect national steel industries from foreign competition. The US has indicated a transformation of its trade policy and tariffs, saying that tougher methods were needed to change international trade practices. However US steel manufacturers cannot currently meet in full the market demand for steel products in the US. Driven by overcapacity analysts are expecting a significant change in the make-up of European steel manufacturers in 2017/18.	Downturns in economic activity are normally mitigated by an acceleration of commercial and operational improvement initiatives, delivery of significant fixed cost savings and, if deemed necessary, further rationalisations to operations. Continue to target and sell a high value, differentiated product mix, maintaining country share of exports to NAFTA and mix of countries of origin. Develop new and alternative markets.
Long-term competitiveness	
TSN facilities are largely in Europe, which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world. Increasing raw material costs and competing materials challenge the long term competiveness of TSN's strip products. Reduced investment in assets (and spares) increase the risk of failure and significant business interruption	Alongside other specific compliance controls TSN sets clear direction on specific behaviours and ethics expected of employees and how these link to achieving TSN objectives. Continue to target and sell a high value, differentiated product mix. Investment is assets are an important driver for long term continuity. The spend on strategic assets has been increased to meet future challenges. In order to maintain its ability to successfully compete in the long term TSN is undertaking a number of initiatives, including STAR program, and business specific improvement plans.
Raw materials and energy	
TSN has limited access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depend, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. TSN maintains operations through strong supplier relationships and flexible sourcing. It continues to closely monitor market conditions and seeks to put in place contractual arrangements to ensure security of critical supplies.	TSN is working with suppliers to agree competitive prices and has agreed a range of pricing bases, whilst adjusting its commercial portfolio to maximise opportunities presented by moves to shorter term pricing. Exposure to energy shortages and price increases are mitigated by accelerating the implementation of self-generation of gas and by initiatives to improve energy efficiency which include capital expenditure.

Performance and operations	
Even though steel spreads have improved in Europe, there are ongoing challenges due to the overcapacity in Europe and the slowdown in China. The persistent overcapacity in Europe is expected to continue with demand forecast to increase by around 2% p.a. over the next 10 years. Current industry forecasts predict spreads in 2017/18 to return to levels experienced at the beginning of 2016/17.	Whilst TSN seeks to increase differentiated/premium business that is less dependent on market price movements, it still retains focus in IJmuiden on improving its operations, consistency, and taking measures to protect against unplanned interruptions and property damage. Best practices in asset management, enhancing technical knowledge and skills, improving process safety, targeted capital expenditure and focused risk management.
Cyber Crime	
Recent Cyber Crime incidents indicate a focus of demanding ransom and/or blackmailing of larger companies worldwide. Cyber Crime could lead to business interruption and significant loss of assets.	The Tata Steel Europe Group has a security team, which is continuously assessing and addressing potential risk. Use is made of specialised companies to regularly test the security of IT systems. In addition Tata Steel Europe Group is increasing its resources to increase the security of its systems and networks.
Exchange rates	
TSN derives most of its revenue in the EU, but has substantial assets and sales in the US. Major raw material purchases are denominated mainly in US dollars. As a result, the Group is impacted by the relationship between the euro and the US dollar.	TSN operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates. TSN is also actively diversifying its geographic customer base which helps mitigate dependence on particular currency zones.

Acquisitions and disposals

On 31 May 2016 TSE's subsidiary Tata Steel UK Limited ('TSUK') completed the disposal of its subsidiary Long Steel UK Limited ('LSUK') to Greybull Capital LLP ('Greybull'). The transaction included the disposal of TSN's subsidiary Tata Steel France Rail SAS ('TSFR') which shares were initially transferred as dividend in kind by TSN's subsidiary Tata Steel France Holdings SAS to LSUK on the same date. The distribution of TSFR to TSNH led to a loss of EUR (43)m in the TSN consolidated income statement.

On 29 March 2017 TSN completed the sale of Kalzip (Guangzhou) Limited to Shanghai Qinheng International Trade Co, Ltd.

Composition of the Board of Management

Mr. J. van den Berg, HUB Director SP MLE, was appointed as a Member of the Board per 15 April 2016. Since that date the Board of Management was composed of Mr. Th.J. Henrar, Mr. J.E. van Dort and Mr. J. van den Berg.

Prospects for 2017/18

The World Steel Association predicts modest global steel demand growth of 1.3% in 2017. Growth in developing markets in South and Southeast Asia, and NAFTA is expected to offset a contraction in China. Steel demand in China is expected to stabilise with no growth due to a slowdown of its economy.

EU steel demand is expected to grow by 1.3% due to improving economic conditions in Europe although most of this increase is likely to be taken by imports.

Margins in the global steel industry are expected to remain compressed by high levels of excess capacity, with little expectation that capacity will be reduced significantly in the near future.

Board of Management

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 12 July 2017

Consolidated income statement

For the financial year ended 31 March

	Note	2017 €m	2016 €m
Revenue	1	**4,556**	4,771
Operating costs	2	**(4,285)**	(4,569)
Operating profit		**271**	202
Finance costs	5	**(6)**	(10)
Finance income	5	**13**	18
Share of post-tax profits of joint ventures and associates	10(iii)	**7**	3
Profit before taxation		**285**	213
Taxation	6	**(74)**	(56)
Profit after taxation		**211**	157
Attributable to:			
Owners of the Company		**211**	157
Non-controlling interests		**-**	-

All references to 2017 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 33 refer to the financial year ended 31 March 2017 or as at 31 March 2017 as appropriate (2016: the financial year ended 31 March 2016 or as at 31 March 2016).

Notes and related statements forming an integral part of these consolidated accounts appear on pages 29 to 54.

Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2017 €m	2016 €m
Profit after taxation		**211**	157
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans	30	**11**	(51)
Income tax relating to items not reclassified		**(1)**	11
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) arising on cash flow hedges	20	**16**	(14)
Exchange movements on currency net investments		**1**	-
Exchange rate movements recycled to income statement on disposal of Group company		**(2)**	-
Income tax relating to items that may be reclassified	20	**(4)**	4
Other comprehensive income/(loss) for the year net of tax		**21**	(50)
Total comprehensive income for the year		**232**	107
Attributable to:			
Owners of the Company		**232**	107
Non-controlling interests		**-**	-

Notes and related statements forming an integral part of these consolidated accounts appear on pages 29 to 54.

Consolidated balance sheet

As at 31 March	Note	2017 €m	2016 €m
Non-current assets			
Goodwill	7	**8**	**29**
Other intangible assets	8	**103**	**87**
Property, plant and equipment	9	**1,682**	**1,640**
Equity accounted investments	10	**41**	**37**
Other investments	11	**7**	**8**
Other non-current assets	12	**3**	**3**
Deferred tax assets	22	**25**	**9**
		1,869	**1,813**
Current assets			
Inventories	13	**1,047**	**700**
Trade and other receivables	15	**1,025**	**1,276**
Current tax assets	14	**12**	**43**
Cash and short-term deposits	16	**165**	**315**
		2,249	**2,334**
TOTAL ASSETS		**4,118**	**4,147**
Current liabilities			
Borrowings	18	**(11)**	**(145)**
Trade and other payables	17	**(1,144)**	**(923)**
Current tax liabilities	14	**(44)**	**(179)**
Retirement benefit obligations	30	**(3)**	**(5)**
Short-term provisions and other liabilities	21	**(11)**	**(12)**
		(1,213)	**(1,264)**
Non-current liabilities			
Borrowings	18	**(44)**	**(48)**
Deferred tax liabilities	22	**(2)**	**(36)**
Retirement benefit obligations	30	**(136)**	**(170)**
Provisions for liabilities and charges	21	**(106)**	**(98)**
Other non-current liabilities	19	**(3)**	**(2)**
Deferred income	23	**(10)**	**(12)**
		(301)	**(366)**
TOTAL LIABILITIES		**(1,514)**	**(1,630)**
NET ASSETS		**2,604**	**2,517**
Equity			
Called-up share capital	24	**388**	**388**
Share premium account		**13**	**13**
Other components of equity		**2,204**	**2,117**
Equity attributable to owners of the Company		**2,605**	**2,518**
Non-controlling interests		**(1)**	**(1)**
TOTAL EQUITY		**2,604**	**2,517**

Notes and related statements forming an integral part of these consolidated accounts appear on pages 29 to 54.

Consolidated statement of changes in equity

	Called-up share capital €m	Share premium account €m	Retained earnings €m	Hedging reserve €m	Translation reserves €m	Total €m	Non-controlling interests €m	Total equity €m
Balance as at 31 March 2015	**388**	**13**	**2,083**	**12**	**15**	**2,511**	**(1)**	**2,510**
Profit after taxation	-	-	157	-	-	**157**	**-**	**157**
Other comprehensive loss for the period	-	-	(40)	(10)	-	**(50)**	**-**	**(50)**
Total comprehensive income/(loss) for the year	-	-	117	(10)	-	**107**	**-**	**107**
Dividends paid	-	-	(100)	-	-	**(100)**	**-**	**(100)**
Balance as at 31 March 2016	**388**	**13**	**2,100**	**2**	**15**	**2,518**	**(1)**	**2,517**
Profit after taxation	-	-	211	-	-	**211**	**-**	**211**
Other comprehensive income for the period	-	-	10	12	(1)	**21**	**-**	**21**
Total comprehensive income/(loss) for the year	-	-	221	12	(1)	**232**	**-**	**232**
Dividends paid	-	-	(75)	-	-	**(75)**	**-**	**(75)**
Dividends in kind	-	-	(70)	-	-	**(70)**	**-**	**(70)**
Balance as at 31 March 2017	**388**	**13**	**2,176**	**14**	**14**	**2,605**	**(1)**	**2,604**

Notes and related statements forming an integral part of these consolidated accounts appear on pages 29 to 54.

Consolidated statement of cash flows

For the financial year ended 31 March

	Note	2017 €m	2016 €m
Operating activities			
Profit after taxation		**211**	157
Adjustments for:			
Tax	6	**74**	56
Loss on disposal of property, plant and equipment	2	**-**	1
Loss on disposal of group companies	31	**41**	-
Interest income	5	**(13)**	(18)
Interest expense	5	**6**	10
Loss on loan revaluations		**-**	1
Share of results of joint ventures and associates	10(iii)	**(7)**	(3)
Depreciation and amortisation including impairments (net of grants released)	2	**220**	215
Movement in pension prepayments and provisions		**(1)**	(67)
Movement in insurance and other provisions		**6**	2
Movement in loose plant, tools and spares		**11**	11
Movement in inventories		**(376)**	141
Movement in receivables		**(66)**	140
Movement in payables		**270**	(124)
Rationalisation costs provided	21	**4**	7
Utilisation of rationalisation provisions	21	**(5)**	(11)
Cash generated from operations		**375**	518
Interest paid		**(3)**	(7)
Interest element of finance lease rental payments		**(3)**	(3)
Taxation paid		**(234)**	(19)
Net cash flow from operating activities		**135**	489
Investing activities			
Purchase of property, plant and equipment		**(323)**	(240)
Sale of property, plant and equipment		**2**	4
Purchase of other intangible assets		**(24)**	(56)
Purchase of investments in joint ventures and associates	10	**-**	(1)
Sale of investments in joint ventures previously classified as held for sale		**-**	15
Disposal of subsidiaries		**1**	-
Dividends from joint ventures and associates	10	**3**	2
Loans to external parties	11	**-**	(4)
Acquisition of assets		**-**	(2)
Interest received		**14**	17
Net cash flow from investing activities		**(327)**	(265)
Financing activities			
Movement in loans to Group companies		**252**	(10)
Loans from Group companies		**(5)**	1
Movements in other loans		**(121)**	-
Capital element of finance lease rental payment		**(7)**	(8)
Dividends paid		**(75)**	(100)
Net cash flow from financing activities		**44**	(117)
(Decrease)/increase in cash and cash equivalents		**(148)**	107
Cash and cash equivalents at beginning of period		**311**	206
Effect of foreign exchange rate changes		**2**	(2)
Cash and cash equivalents at end of period		**165**	311
Cash and cash equivalents consist of:			
Cash and short-term deposits	16	**165**	315
Bank overdrafts	18	**-**	(4)
		165	311

Notes and related statements forming an integral part of these consolidated accounts appear on pages 29 to 54.

Presentation of consolidated accounts and accounting policies

I Introduction

Tata Steel Nederland BV ('TSN') with its seat in IJmuiden, municipality of Velsen, the Netherlands, forms part of the Tata Steel Group. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on the Mumbai Stock Exchange and the National Stock Exchange of India, and with global depository receipts listed on the London and the Luxembourg Stock Exchanges. The shares of TSN ('the Company') are held by Tata Steel Netherlands Holdings BV ('TSNH').

TSN and its subsidiaries ('the Group') form an international steel group that manufactures, processes and distributes steel products.

The 2017 Annual Accounts of TSN have been authorised for issue by the Board of Management on 12 July 2017.

II Basis of preparation

TSN is a private limited company incorporated in the Netherlands. The consolidated financial statements of the Group for the year ended 31 March 2017 comprise the Company and its subsidiaries and the Group's interest in its joint venture and associated undertakings.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ('IASB'). However, the consolidated financial statements for the periods presented would not be materially different if the Company had applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The functional and presentational currency of the Company is the Euro.

The financial statements also contain the separate accounts for the parent company, TSN. The accounts of the parent company are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements for the parent company and Group have been prepared under the historical cost convention, with the exception of the Group financial statements which have been modified by the revaluation of available for sale investments and derivative financial instruments.

The Group has prepared consolidated financial statements under the IFRS accounting policies set out below and these policies have been applied consistently to all the periods.

The Board of Management have assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

III New standards and interpretations applied

The following new International Accounting Standards (IAS) and new IFRSs have been adopted in the current year:

		Effective Date*
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 Jan 2016
IFRS 11 (Amendments)	Joint Arrangements on Acquisition of an Interest in a Joint Operation	1 Jan 2016
IAS 16 (Amendments)	Property, Plant and Equipment	1 Jan 2016
IAS 38 (Amendments)	Intangible Assets	1 Jan 2016
IAS 27 (Amendments)	Separate Financial Statements	1 Jan 2016
IAS 1 (Amendments)	Presentation of Financial Statements	1 Jan 2016
Annual improvements	2012/2014 Cycle	1 Jan 2016

** periods commencing on or after*

The Amendments to the above standards have had no impact on the TSN financial statements

All other accounting policies in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2016.

IV New standards and interpretations not applied

The International Accounting Standards Board has issued the following standards, which are relevant to the Group's reporting but have either not been applied as they have not been adopted for use in the European Union in the year ended 31 March 2017, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IFRS 17	Insurance Contracts	1 Jan 2021
IFRS 2 (Amendments)	Share-Based Payment	1 Jan 2018
IFRS 4 (Amendments)	Insurance Contracts	1 Jan 2018
IFRS 15 (Amendments)	Revenue from Contracts with Customers	1 Jan 2018
IAS 7 (Amendments)	Statement of Cash Flows	1 Jan 2017
IAS 12 (Amendments)	Income Taxes	1 Jan 2017
IAS 40 (Amendments)	Investment Property	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
Annual Improvements	2014-2016	1 Jan 2018

** periods commencing on or after*

IFRS 9 'Financial Instruments' brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. IFRS 9 adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. The impairment model is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate. The Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January, 2018. The company has assessed the impact of the new Standard and concluded that it will not have a material impact on the TSN financial statements.

IFRS 15 *'Revenue from contracts with customers'* specifies how and when revenue is recognised and includes more informative and relevant disclosures. The Standard supersedes IAS 18 *'Revenue'*, IAS 11 *'Construction Contracts'* and a number of revenue related interpretations. The new Standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred. IFRS 15 must be applied for periods beginning on or after 1 January 2018. The company has assessed the impact of the new Standard and concluded that it will not have a material impact on the TSN financial statements.

IFRS 16 *'Leases'* eliminates the classification of leases as either finance leases or operating leases. All leases are required to be reported on an entity's balance sheet as assets and liabilities. Leases are capitalised by recognising the present value of the lease payments and showing them either as lease assets or together with property, plant and equipment. If lease payments are made over time a financial liability representing its future obligation will be recognised. IFRS 16 will be effective from 1 January 2019, with early application being permitted for entities that also apply IFRS 15 *'Revenue from contracts with customers'*. The company is currently assessing the impact of the new standard.

The Company does not expect the remaining new standards to have any material impact on the TSN financial statements.

V Use of estimates and critical accounting judgements

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

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

Critical accounting judgments and the key sources of estimation or uncertainty in applying the Group's accounting policies arise in relation to impairment of property, plant and equipment, the recognition of deferred tax assets, retirement benefits, provisions created for environmental remediation and employee benefits. Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

A significant part of the Group's capital is invested in property, plant and equipment and intangible assets. Determining whether these assets are impaired requires an estimation of value in use of the cash generating unit ('CGU') to which the asset relates. Value in use calculations require an estimation of future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Further details on the Group's impairment review and key assumptions are set out in notes 7, 8 and 9.

The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur, based on the Group's annual plans and future forecasts. Further information can be found in note 22.

The Group's retirement benefit obligations for defined benefit pension schemes and long term employee benefits are subject to a number of judgements including discount rate, inflation, salary growth and mortality rates. Significant judgement is required when setting these criteria and a change in each of these assumptions would have a significant impact on the amounts recorded within the Group balance sheet and income statement. The Group sets these judgements based on previous experience and third party actuarial advice. Further details on the Group's retirement benefit obligations are included within note 30.

Estimates in calculating provisions for environmental remediation and employee benefits are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of these costs. Further details on the Group's provisions can be found in note 21.

The detailed accounting policies for each of these areas, are outlined in section VI below.

VI Critical accounting policies

(a) Property, plant and equipment

Property, plant and equipment is recorded at original cost less accumulated depreciation and any recognised impairment loss, with the exception of land. Cost includes professional fees and, for assets constructed by the Group, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. From 1 April 2009, this includes borrowing costs capitalised in respect of qualifying assets in accordance with the Group's policy. Amounts incurred in connection with capital projects that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended (which the Group refers to as 'commissioning costs' and which include expenses such as initial operating losses incurred while technical deficiencies on new plant are rectified and incremental operating costs that are incurred while the new plant is operating at less than full capacity) are written off to profit and loss as incurred. Assets in the course of construction are depreciated from the date on which they are ready for their intended use.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit and loss.

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

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and renewals are charged to profit and loss as incurred.

(b) Depreciation, amortisation and impairment of property, plant and equipment and other intangible assets (including goodwill)

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and other intangible assets, including those held under finance leases, to their residual value. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives or, in the case of leased assets, over the lease period if shorter. The estimated useful lives of assets and residual values are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

The estimated useful lives for the main categories of property, plant and equipment and other intangible assets are:

		Life Years
Freehold and long leasehold buildings that house plant and other works buildings		25
Other freehold and long leasehold buildings		50
Plant and machinery:		
Iron and steelmaking	(maximum)	25
IT hardware and software	(maximum)	8
Office equipment and furniture		10
Motor vehicles		4
Other	(maximum)	15
Patents and trademarks		4
Product and process development costs		5

At each reporting period end, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets (including goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

(c) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset to the extent that they relate to taxes levied by the same tax authority and they are in the same taxable entity, or a group of taxable entities where the tax losses of one entity are used to offset the taxable profits of another and there are legally enforceable rights to set off current tax assets and current tax liabilities within that jurisdiction.

(d) Retirement benefit costs
The group operates a number of defined benefit and defined contribution pension plans for its employees.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period end. The Group applies IAS 19 ‘Employee Benefits’ to recognise all actuarial gains and losses directly within retained earnings, presenting those arising in any one reporting period as part of the relevant statement of comprehensive income. In applying IAS 19, in relation to retirement benefits costs, the current service cost and net interest cost have been treated as a net expense within employment costs.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit liability recognised in the balance sheet represents the fair value of scheme assets less the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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

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

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

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

VII Other accounting policies

(a) Basis of consolidation
The consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows include the Company and its subsidiaries. They also include the Group’s share of the profits, net assets and retained post acquisition reserves of joint ventures and associates that are consolidated using the equity method of consolidation. The profits or losses of subsidiaries, joint ventures and associates acquired or sold during the period are included from the date of acquisition or up to the date of their disposal. All intra-group transactions, balances, income and expenses are eliminated on consolidation, including unrealised profits on such transactions.

(b) Business combinations

On the acquisition of a subsidiary, joint venture or associate, fair values are attributed to the net assets acquired. Any excess of the fair value of consideration given (including the fair value of any contingent consideration) over the fair values of the Group's share of the identifiable net assets acquired is treated as goodwill. The costs of acquisition are charged to profit and loss in the period in which they are incurred. If the fair value of the net assets acquired exceeds the fair value of consideration then these fair values are reassessed before taking the remainder as a credit to profit and loss in the period of acquisition.

Goodwill is recognised as an asset. Although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator. Any impairment is recognised immediately in profit and loss and cannot subsequently be reversed. On disposal of a subsidiary, joint venture or associate any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Where an acquisition is achieved in stages, upon obtaining control the previously held equity interest is reassessed at fair value and any resulting gain or loss is recognised in profit and loss.

The Group has applied IFRS 3 (Revised) 'Business Combinations' to business combinations after 1 April 2010. The accounting for business combinations transacted prior to this date has not been restated.

(c) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business net of discounts, VAT and other sales related taxes.

(d) Government grants

Grants related to expenditure on property, plant and equipment are credited to profit and loss over the useful lives of qualifying assets. Grants related to revenue are credited to the income statement in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to profit and loss at the end of the reporting period are included in the balance sheet as deferred income.

(e) Insurance

Most of TSN's insurances are arranged by Tata Steel Europe ('TSE'). Some of these insurances involve TSE's captive insurance company, Crucible Insurance Company Limited. Insurance premiums in respect of those insurances placed by TSE on behalf of TSN and those arranged directly by TSN with insurers are charged to the income statement in the period to which they relate.

(f) Financing items

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment from 1 April 2009, is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Dividend income is recognised when the right to receive payment is established.

(g) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into euros at the quoted rates of exchange ruling at the end of each reporting period. Income statement items and cash flows are translated into euros at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Group enters into forward contracts and options (see (h) below for details of the Group's accounting policies in respect of such derivative financial instruments). In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

Exchange differences on the retranslation of the opening net investment in foreign enterprises and the retranslation of profit and loss items from average to closing rate are recorded as movements on reserves. Such cumulative exchange differences are transferred to profit and loss on subsequent disposals of the foreign enterprise and for other substantial reductions in capital in these enterprises during the period. Under IAS 21, cumulative translation differences on the consolidation of subsidiaries are only being accumulated for each individual subsidiary from the date of transition to IFRS, being 1 January 2004, and not from their original acquisition date. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The detailed accounting treatment for such items can differ, as described in the following sections:

(i) Trade receivables

Trade receivables are initially recorded at their fair value and are subsequently measured at their amortised cost, as reduced by appropriate allowances for any impairment. Provisions for impairment are made where there is a risk of non-payment, taking into account ageing, previous experience, general economic conditions and credit insurances. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision

available and then to the income statement. Subsequent recoveries of amounts previously provided for are credited to the income statement. Where trade receivables are sold prior to settlement by customers, they are derecognised with the
respective default deductions and discount costs simultaneously charged to profit and loss.

(ii) Other investments
Other investments include long term financial assets that are initially measured at fair value, including transaction expenses. They are classified as either available for sale or as loans and receivables. For available for sale investments, gains and losses arising from changes in fair values are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities and equity related instruments
Financial liabilities and equity related instruments are classified according to the terms of the individual contractual arrangements.

(iv) Bank borrowings
Interest-bearing bank loans, overdrafts and issued debt are initially recorded at their fair value which is generally the proceeds received, net of direct issue costs. These borrowings are subsequently measured at amortised cost.

(v) Trade payables
Trade payables are initially recorded at fair value and are subsequently measured at their amortised cost.

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

(vii) Derivative financial instruments and hedge accounting
In the ordinary course of business the Group uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts and London Metal Exchange (LME) contracts. The instruments are employed as economic hedges of transactions included in the accounts or forecast for firm contractual commitments. These contracts do not generally extend beyond 6 months for foreign exchange contracts and 12 months for commodity contracts.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value.

For forward currency contracts and commodity contracts the fair values are determined based on market forward rates at the end of the reporting period. The Group seeks to adopt hedge accounting for these currency, and commodity contracts. This means that, at the inception of each hedge there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The methodology of testing the effectiveness and the reliability of this approach for testing is also considered and documented at inception. This effectiveness is assessed on an ongoing basis throughout the life cycle of the hedging relationship. In particular, only forecast transactions that are highly probable are subject to cash flow hedges.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset
or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit and loss in the same period in which the hedged item affects profit and loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is reclassified to net profit or loss for the period.

Certain components, such as terms and conditions, embedded in other financial instruments or other host contracts are accounted for as separate derivatives and carried at fair value. These components are only separately accounted for when their risks and characteristics are not closely related to those of the host contract, the host contract itself is not carried at fair value with gains or losses reported in profit and loss, and where a separate instrument with the same terms as the embedded component would itself meet the definition of a derivative.

(i) Other intangible assets
Patents, trademarks and software are included in the balance sheet as intangible assets where they are clearly linked to long term economic benefits for the Group. In this case they are measured initially at fair value on acquisition or purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks and software are expensed in profit and loss as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on individual development projects are recognised as intangible assets from the date that all of the following conditions are met:

(i) completion of the development is technically feasible;
(ii) it is the intention to complete the intangible asset and use or sell it;
(iii) it is clear that the intangible asset will generate probable future economic benefits;
(iv) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

Costs are no longer recognised as an asset when the project is complete and available for its intended use, or if these criteria no longer apply. The approach to amortisation and impairment of other intangible assets is described in section VI (b) above.

Where development activities do not meet the conditions for recognition as an asset, any associated expenditure is treated as an expense in the period in which it is incurred.

(j) Leases

The Group determines whether an arrangement contains a lease by assessing whether the fulfilment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to TSN in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for as such.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

(k) Joint ventures, joint operations and associates

The results and assets and liabilities of joint ventures and associates are incorporated in the accounts using the equity method of accounting, except where classified as held for sale (see section (l) below).

Investments in joint ventures and associates are initially measured at cost. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired, being goodwill, is included within the carrying value of the joint venture or associate and is subsequently tested for impairment on an annual basis. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets acquired is credited to profit or loss in the period of acquisition. The Group's share of post acquisition profits and losses is recognised in profit and loss, and its share of post acquisition movement in reserves are recognised directly in reserves. Losses of associates in excess of the Group's interest in those associates are not recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with joint ventures or associates are eliminated and, where material, the results of joint ventures and associates are modified to conform to the Group's policies.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by recognising the share of assets, liabilities, expenses and income relating to the joint operation.

(l) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Group must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Where a disposal group represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, then it is treated as a discontinued operation. The post-tax profit or loss of this discontinued operation together with the gain or loss recognised on its disposal are disclosed as a single amount on the face of the income statement, with all prior periods being presented on this basis.

(m) Inventories

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

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Equity

Share capital: Ordinary shares are classified as equity.

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s annual accounts in the period in which the dividends are approved by the Company’s shareholders. Where dividends are paid in kind the asset transferred is measured at fair value and any difference between the fair value and the carrying value of the asset is recognised in the income statement.

Notes to the consolidated accounts

1. Revenue

	2017 €m	2016 €m
Revenue by destination:		
The Netherlands	**686**	652
Europe excluding the Netherlands	**3,128**	3,342
North America	**592**	557
Rest of the world	**150**	220
	4,556	4,771

2. Operating costs

	2017 €m	2016 €m
Costs by type:		
Raw materials and consumables	**2,140**	2,355
Maintenance costs (excluding own labour)	**325**	344
Other external charges (including fuels and utilities, hire charges and carriage costs)	**592**	641
Employment costs (Note 4)	**964**	866
Depreciation, amortisation and impairments (Note 8 and 9)	**222**	216
Regional development and other grants released (Note 23)	**(2)**	(1)
Other operating items (including rents, rates, insurance and general expenses)	**257**	144
Changes in inventory of finished goods and work in progress	**(219)**	32
Own work capitalised	**(35)**	(29)
Loss on disposal of property, plant and equipment	**-**	1
Loss on disposal of group companies	**41**	-
	4,285	4,569

	Operating costs before restructuring, impairment and disposals €m	Restructuring, impairment and disposals €m	Total €m
The above costs in 2017 include:			
Raw materials and consumables	2,140	-	**2,140**
Maintenance costs (excluding own labour)	325	-	**325**
Other external charges (including fuels and utilities, hire charges and carriage costs)	592	-	**592**
Employment costs (Note 4)	961	3	**964**
Depreciation and amortisation	205	17	**222**
Regional development and other grants released	(2)	-	**(2)**
Other operating items (including rents, rates, insurance and general expenses)	256	1	**257**
Changes in inventory of finished goods and work in progress	(219)	-	**(219)**
Own work capitalised	(35)	-	**(35)**
Loss on disposal of property, plant and equipment	-	-	**-**
Loss on disposal of group companies	-	41	**41**
	4,223	62	**4,285**

Further analysis of restructuring and impairment costs is presented in Note 3.

	2017 €m	2016 €m
The above costs are stated after including:		
Amortisation of other intangible fixed assets (Note 8)	**8**	7
Depreciation of owned assets (Note 9)	**191**	203
Impairment losses related to property, plant and equipment (Note 3)	**17**	(1)
Depreciation of assets held under finance leases (Note 9)	**6**	7
Operating leases:		
Plant and machinery	**13**	18
Leasehold property	**14**	15
Costs of research and development (gross)	**59**	56
Recoveries on research and development	**(3)**	(3)
Impairments against trade receivables (Note 15)	**2**	5
Net exchange rate losses	**2**	6
Emission rights deficit	**11**	-

3. Restructuring and impairment costs

	2017 €m	2016 €m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	**3**	6
Impairment losses related to property, plant and equipment (Note 9)	**17**	(1)
Other rationalisation costs	**1**	1
	21	6

4. Employees

	2017 €m	2016 €m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**768**	727
Social security costs	**106**	112
Other pension costs (Note 30)	**87**	21
Redundancy and related costs (Note 3 and 21)	**3**	6
	964	866

The average number of the Group's employees during the year was 11,282 (2016: 11,893). The analysis by business area and by country was:

Strip Product MLE	6,986	The Netherlands	8,910
France Rail*	73	France	791
Speciality Businesses	3,263	Germany	875
Distribution & Sales Network	465	Other	706
Corporate	495		

**For the period to 31 May 2016.*

Other pension costs can be further analysed as follows:

	2017 €m	2016 €m
Defined benefit schemes (Note 30)	**7**	42
Settlement of SPH defined benefit scheme (Note 30)	**-**	(78)
Defined contribution schemes (Note 30)	**80**	57
	87	21

5. Financing items

	2017 €m	2016 €m
Interest expense:		
Bank and other borrowings	**(3)**	(7)
Finance leases	**(3)**	(3)
Finance costs	**(6)**	(10)
Interest income:		
Cash and short-term investments	**1**	1
From Group companies	**12**	17
Finance income	**13**	18
	7	8

6. Taxation

	2017 €m	2016 €m
Dutch corporation tax	**77**	35
Dutch prior year corporation tax	**47**	1
Other corporation tax	**6**	3
Other prior year corporation tax	**(1)**	(2)
Current tax	**129**	37
Dutch deferred tax	**(46)**	18
Other deferred tax	**(9)**	1
Taxation	**74**	56

In addition to the total taxation charged to the income statement, an amount of €5m has been charged in other comprehensive income in the year (2016: a credit of €15m).

The total charge for the year can be reconciled to the accounting profit as follows:

	2017 €m	2016 €m
Profit before taxation	**285**	213
Profit before taxation multiplied by the applicable corporation tax rate of 24.1% (2016: 25.5%)	**69**	54
Effects of:		
Adjustments to current tax in respect of prior periods	**46**	(1)
Adjustments to deferred tax in respect of prior periods	**(43)**	-
Changed in unrecognised losses	**(6)**	4
Other differences	**8**	(1)
Total taxation	**74**	56

The applicable corporation tax rate of 24.1% for 2016-17 is the average tax rate weighted in proportion to the accounting profits earned in each geographical area. All results arise on continuing activities.

7. Goodwill

	2017 €m	2016 €m
Net book value	**8**	29

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that combination. TSN tests goodwill annually for impairment, or more frequently if there are any indications that goodwill might be impaired. In addition, property, plant and equipment is tested for impairment where there are indicators of impairment.

The reduction in goodwill in the year is a result of the disposal of Tata Steel Rail France (part of the sale by Tata Steel Europe of its Long Products division) to Greybull Capital on 31 May 2016 (Note 31).

The recoverable amount of the goodwill has been determined from a value in use calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to 15 years. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand and the ability of the entity to realise significant savings from approved internal efficiency and improvement programmes currently being implemented, and a discount rate of 7.8% (2016: 7.4%). Changes in selling prices, raw material costs and EU steel demand are based on expectations of future changes in the steel market based on external market sources. Forecast savings from approved internal efficiency and improvement programmes are based on the Group's experience of implementing and deriving benefits from these programmes. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets and the pre-tax discount rate of 7.8% (2016: 7.4%) is derived from the Group's WACC and the WACCs of its main European steel competitors. The outcome of the Group's goodwill impairment test as at 31 March 2017 resulted in no impairment of goodwill (2016: no impairment). The BoM believe that no reasonable possible change in any of the key assumptions used in the value in use calculation would cause the carrying value of the CGU to materially exceed its value in use.

8. Other intangible assets

2017	Computer software €m	Development costs €m	Patents and trademarks €m	Emission Rights €m	**Total €m**
Cost at beginning of period	57	74	9	51	**191**
Additions	24	-	-	-	**24**
Disposal of group companies	(1)	-	(8)	-	**(9)**
Disposals	(2)	(35)	-	-	**(37)**
Cost at end of period	78	39	1	51	**169**
Amortisation at beginning of period	41	54	9	-	**104**
Charge for the period	1	7	-	-	**8**
Disposal of group companies	(1)	-	(8)	-	**(9)**
Disposals	(2)	(35)	-	-	**(37)**
Amortisation at end of the period	39	26	1	-	**66**
Net book value at end of the period	39	13	-	51	**103**

2016	Computer software €m	Development costs €m	Patents and trademarks €m	Emission Rights €m	Total €m
Cost at beginning of period	45	72	9	10	136
Additions	10	5	-	41	56
Disposals	(1)	-	-	-	(1)
Change in Classification	3	(3)	-	-	-
Cost at end of period	57	74	9	51	191
Amortisation at beginning of period	41	48	9	-	98
Charge for the period	1	6	-	-	7
Disposals	(1)	-	-	-	(1)
Amortisation at end of the period	41	54	9	-	104
Net book value at end of the period	16	20	-	51	87

The remaining amortisation period for development costs is approximately 2 years (2016: 3 years).

9. Property, plant and equipment

2017	Land and buildings €m	Plant and machinery €m	Assets under construction €m	**Total €m**
Cost or valuation at beginning of period	1,131	6,553	277	**7,961**
Additions	1	72	277	**350**
Exchange rate movements	2	9	-	**11**
Transfers to/from assets under construction	8	127	(135)	**-**
Disposal of group companies	(41)	(218)	-	**(259)**
Disposals	(4)	(80)	-	**(84)**
Cost or valuation at end of period	1,097	6,463	419	**7,979**
Depreciation at beginning of period	873	5,428	20	**6,321**
Charge for the period	18	179	-	**197**
Impairment charge for the period	4	12	1	**17**
Exchange rate movements	2	8	-	**10**
Disposal of group companies	(21)	(155)	-	**(176)**
Disposals	(4)	(68)	-	**(72)**
Depreciation at end of period	872	5,404	21	**6,297**
Net book value at end of period	225	1,059	398	**1,682**

2016	Land and buildings €m	Plant and machinery €m	Assets under construction €m	Total €m
Cost or valuation at beginning of period	1,135	6,460	186	7,781
Additions	5	97	163	265
Exchange rate movements	(2)	(8)	(1)	(11)
Transfers to/from assets under construction	1	70	(71)	-
Disposals	(8)	(66)	-	(74)
Cost or valuation at end of period	1,131	6,553	277	7,961
Depreciation at beginning of period	862	5,297	20	6,179
Charge for the period	18	192	-	210
Impairment (reversal)/charge for the period	(2)	1	-	(1)
Exchange rate movements	(1)	(7)	-	(8)
Disposals	(4)	(55)	-	(59)
Depreciation at end of period	873	5,428	20	6,321
Net book value at end of period	258	1,125	257	1,640

	2017 €m	2016 €m
The net book value of land and buildings comprises:		
Freehold	**194**	224
Long leasehold (over 50 years unexpired)	**4**	6
Short leasehold (in less than 50 years expired)	**27**	28
	225	258
Which may be further analysed as:		
Assets held under finance leases:		
Cost	**51**	51
Accumulated depreciation	**(29)**	(28)
	22	23
Owned assets	**203**	235
	225	258

The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**107**	101
Accumulated depreciation	**(75)**	(70)
	32	31
Owned assets	**1,027**	1,094
	1,059	1,125

There were no borrowing costs capitalised during the year (2016: nil).

Consistent with the annual test for impairment of goodwill as at 31 March 2017 (see note 7) property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. The outcome of this test indicated that the value in use of certain of the Group's CGU's against which property, plant and equipment is included using a discount rate of 7.8% (2016: 7.4%), was lower than its carrying value due to weaker market conditions, in particular in the Building Systems market sector, which are expected to remain weak over the near and medium term. Accordingly, an impairment charge of €6m has been recognised in the year (2016: €1m) which relates to Fischer Profil (€5m) and Corus Building Systems Bulgaria (€1m). An additional impairment charge of €11m has been recognised on specific assets in Tata Steel IJmuiden.

10. Equity accounted investments

As at 31 March	Interest in joint ventures €m	Investments in associates €m	**2017 Total €m**	2016 Total €m
Cost at beginning and end of period	7	8	**15**	15
Share of post acquisition reserves at beginning of period	12	10	**22**	21
Share of results in period retained	3	4	**7**	3
Dividends	(1)	(2)	**(3)**	(2)
Share of post acquisition reserves at end of period	14	12	**26**	22
Net book value at end of period	21	20	**41**	37
Net book value at beginning of period	19	18	**37**	36

(i) Summarised information in respect of the Group's joint ventures is presented below:

As at 31 March	**2017 €m**	2016 €m
The share of assets and liabilities of the Group's joint ventures is as follows:		
Non-current assets	**10**	11
Current assets	**31**	17
Current liabilities	**(15)**	(7)
Non-current liabilities	**(3)**	(2)
Group's share of net assets	**23**	19

The share of revenue and expenses of the Group's joint ventures is as follows:		
Revenue	**80**	68
Expenses	**(77)**	(68)
Group's share of joint ventures' profit for the period	**3**	-
Dividend received	**(1)**	(1)
Group's share of retained profit for the period	**2**	(1)

(ii) Summarised information in respect of Group's associates is presented below:

As at 31 March	2017 €m	2016 €m
Summarised balance sheet information		
Total assets	**90**	92
Total liabilities	**(29)**	(33)
Net assets	**61**	59
Group's share of net assets	**20**	18

Summarised income statement information		
Revenue	**269**	254
Profit for the period	**12**	8
Group's share of associates profit for the period	**4**	3
Dividend received	**(2)**	(1)
Group's share of retained profit for the period	**2**	2

(iii) The share of post-tax profits of joint ventures and associates as disclosed in the income statement arose as follows:

	2017 €m	2016 €m
Group's share of joint ventures' profit for the period	**3**	-
Group's share of associates profit for the period	**4**	3
Total profit on joint ventures and associates for the year	**7**	3

11. Other investments

	Other Loans and receivables €m	Other investments €m	**2017 Total €m**	2016 Total €m
Carrying value at beginning of period	6	2	**8**	4
Additions	-	-	**-**	4
Disposals	-	(1)	**(1)**	-
Carrying value at end of period	6	1	**7**	8

12. Other non-current assets

As at 31 March	**2017 €m**	2016 €m
Other receivables	**3**	3

13. Inventories

As at 31 March	**2017 €m**	2016 €m
Raw materials and consumables	**373**	217
Work in progress	**358**	227
Finished goods and goods for resale	**316**	256
	1,047	700

The value of inventories above is stated after impairment of €20m (2016: €19m) for obsolescence and write-downs to net realisable value.

14. Current tax

2017	**Assets €m**	**Liabilities €m**
Dutch corporation tax	**10**	**(40)**
Other corporation tax	**2**	**(4)**
	12	**(44)**

2016	Assets €m	Liabilities €m
Dutch corporation tax	39	(175)
Other corporation tax	4	(4)
	43	(179)

As at 31 March 2017 the Dutch corporation tax balances contain a €30m net payable owed to TSNH (2016: net payable of €136m).

15. Trade and other receivables

As at 31 March	2017 €m	2016 €m
Trade receivables	**589**	579
Less provision for impairment of receivables	**(7)**	(10)
	582	569
Amounts owed by other Tata Steel companies	**86**	76
Amounts owed by joint ventures	**3**	7
Amounts owed by associates	**7**	7
Derivative financial instruments (Note 20)	**8**	24
Derivative financial instruments owed by Group companies (Note 20)	**1**	3
Other taxation	**14**	13
Prepayments	**36**	31
Other receivables	**34**	34
Deferred proceeds on sale of business	**6**	6
Loans to other Tata Steel companies	**247**	505
Interest owed by other Tata Steel companies	**1**	1
	1,025	1,276

(i) Trade receivables are further analysed as follows:

As at 31 March 2017	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount made €m
Amounts not yet due	**564**	**(545)**	**-**	**19**
One month overdue	**11**	**(10)**	**-**	**1**
Two months overdue	**2**	**(2)**	**-**	**-**
Three months overdue	**2**	**(2)**	**-**	**-**
Greater than three months overdue	**10**	**(2)**	**(7)**	**1**
	589	**(561)**	**(7)**	**21**

As at 31 March 2016	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount made €m
Amounts not yet due	532	(472)	(1)	59
One month overdue	25	(24)	(1)	-
Two months overdue	3	(3)	-	-
Three months overdue	3	(1)	-	2
Greater than three months overdue	16	(8)	(8)	-
	579	(508)	(10)	61

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2017 to be €21m (2016: €61m), which is the fair value of trade receivables (after impairment provisions) less those that are subject to credit insurance cover as shown in the table above. The other classes of financial assets within trade and other receivables do not contain impaired assets. There is no concentration of credit risk with any particular customers.

Credit risk management is discussed further in Note 20.

(ii) Movements in the provision for impairment of receivables are as follows:

As at 31 March	2017 €m	2016 €m
At beginning of period	**10**	7
Impairments in the period (Note 2)	**2**	5
Amounts utilised, exchange rate and other movements	**(5)**	(2)
At end of period	**7**	10

(iii) The loans to other Tata Steel companies include amounts of €33m (2016: €13m) at a weighted average fixed interest rate of 3.1% and €214m (2016: €492m) at a weighted average floating interest rate of 3.0%.

(iv) Loans to other Tata Steel companies can be further analysed by currency as follows:

As at 31 March	2017 €m	2016 €m
Euros	**212**	491
US Dollar	**33**	13
Swedish Krona	**2**	1
	247	505

(v) Loans to other Tata Steel companies at 31 March 2017 include a loan to TSNH of €150m and a loan to TSUK of €50m. In view of the full guarantees for these loans that have been provided by TSGH to TSN, Management is confident that these loans are fully recoverable. In addition, there are opportunities for future settlement of these loans with amounts payable to TSNH and TSUK.

16. Cash, short-term deposits and short-term investments

As at 31 March	2017 €m	2016 €m
Cash at bank and in hand	**165**	311
Short-term deposits	**-**	4
	165	315

The currency and interest exposure of cash, short-term deposits and short-term investments of the Group is as follows:

	2017			2016		
	Cash €m	**Short-term deposits €m**	**Total €m**	Cash €m	Short-term deposits €m	Total €m
Euros	**44**	**-**	**44**	201	-	201
US Dollars	**80**	**-**	**80**	87	-	87
Other currencies	**41**	**-**	**41**	23	4	27
	165	**-**	**165**	311	4	315

Short-term deposits are highly liquid investments with original maturities of three months or less. The effective interest rate on short-term bank deposits was 1.35% (2016: 1.34%).

17. Trade and other payables

As at 31 March	2017 €m	2016 €m
Trade payables	**539**	401
Amounts owed to other Tata Steel companies	**125**	84
Amounts owed to associates	**4**	3
Other taxation and social security	**33**	30
Capital expenditure creditors	**64**	44
Derivative financial instruments (Note 20)	**9**	31
Derivative financial instruments owed to Group companies (Note 20)	**-**	2
Advances from customers	**12**	8
Other payables	**358**	320
	1,144	923

Other payables include amounts provided in respect of insurances, holiday pay, other employment costs and sundry other items.

18. Borrowings

	2017 €m	2016 €m
Current:		
Bank overdrafts	-	4
Loans from other Tata Steel companies	3	8
Bank and other loans	-	126
Obligations under finance leases	8	7
	11	145

	2017 €m	2016 €m
Non-current:		
Bank and other loans	-	2
Obligations under finance leases	44	46
	44	48
Total borrowings	55	193

(i) The currency and interest exposure of gross borrowings of the Group at the end of the period is as follows:

	2017				2016			
	Fixed rate borrowings €m	Floating rate borrowings €m	Zero rate borrowings €m	Total €m	Fixed rate borrowings €m	Floating rate borrowings €m	Zero rate borrowings €m	Total €m
Euros	52	2	1	55	55	10	2	67
Sterling	-	-	-	-	-	126	-	126
Total	52	2	1	55	55	136	2	193

	2017		2016	
	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Euros	5.6	4.6	5.2	3.0

Of the floating rate borrowings at 31 March 2016, €126m (£100m) was drawn on the SFA and bore interest at a rate of 4%. This amount was repaid during the year to 31 March 2017.

The remainder are borrowings from other Tata Steel companies bearing interest rates based on Euro LIBOR or official local rates. The weighted average interest rate on short-term borrowings from other Tata Steel companies was 0.6% (2016: 0.0%).

(ii) The maturity of borrowings is as follows:

	2017 €m	2016 €m
In one year or less or on demand	**14**	149
Between one and two years	**10**	12
Between two and three years	**6**	8
Between three and four years	**5**	7
Between four and five years	**4**	4
More than five years	**31**	30
	70	210
Less: amounts representing interest in future minimum lease payments	**(15)**	(17)
	55	193
Analysed as:		
Current liabilities	**11**	145
Non-current liabilities	**44**	48

(iii) Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2017 €m	2016 €m	**2017 €m**	2016 €m
Not later than one year	**11**	10	**8**	7
Later than one year but not more than five years	**25**	30	**18**	23
More than five years	**31**	30	**26**	23
	67	70	**52**	53
Less: future finance charges on finance leases	**(15)**	(17)	**-**	-
Present value of finance lease liabilities	**52**	53	**52**	53

(iv) The maturity of undrawn committed borrowing facilities of the Group is as follows:

	2017 €m	2016 €m
Later than one year but not more than five years	**517**	-
More than five years	**-**	400
	517	400

(iv) Of the revolving credit facility available under TSUKH's SFA, TSN can exclusively use £100m. The full £100m was undrawn on 31 March 2017 (31 March 2016: £100m fully drawn). TSN also has an internal loan facility available of €400m with TSUKH and TSNH, due to expire in November 2021. Each advance bears interest equal to LIBOR plus a margin of 0.5% per annum and there are no financial covenants. At the end of March 2017 TSN has not drawn on this facility.

TSUKH and TSNH agreed that in the event the €400m internal loan facility and the £100m RCF are fully drawn or not available, TSN may approach, at its own discretion and independently, the banking syndicate in TSUKH's SFA directly for additional credit lines.

(v) Furthermore the Group has uncommitted short-term bank facilities in various countries (the Netherlands, France, Germany, Belgium and Switzerland) mostly within the framework of daily treasury operations such as cash pooling but also in order to have guaranteed facilities available related to commercial transactions.

19. Other non-current liabilities

As at 31 March	2017 €m	2016 €m
Other creditors	**3**	2

20. Financial instruments and risk management

(i) Financial assets and financial liabilities recognised in the balance sheet

The carrying amounts of the Group's financial assets and financial liabilities (excluding derivative assets and liabilities) are:

	2017 €m	2016 €m
Financial assets		
Other loans and receivables (Note 11)	**6**	6
Trade and other receivables (Note 15) 1	**966**	1,205
Cash and cash equivalents (Note 16)	**165**	315
Other non-current assets (Note 12)	**3**	3
	1,140	1,529
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables (Note 17) 2	**(1,090)**	(852)
Current borrowings (Note 18)	**(11)**	(145)
Non-current borrowings (Note 18)	**(44)**	(48)
	(1,145)	(1,045)
	(5)	484

1 Excludes derivatives, other taxation and prepayments
2 Excludes derivatives, other taxation, social security, and advances from customers

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values with the exception of current and non-current borrowings. The fair value of these are €11m (2016: €142m) and €42m (2016: €46m) respectively. The fair value of borrowings would be classified as Level 3 within the fair value hierarchy. The fair value is based on discounted cash flows and reflects the credit risk of counterparties.

(ii) Fair value measurements recognised in the balance sheet

The following table categorises the Group's financial instruments held at fair value by the valuation methodology applied in determining this value. Where possible, quoted prices in active markets for identical assets and liabilities are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data (this includes the Group's forward currency and commodity contracts). The Group's derivative financial assets and liabilities are categorised as Level 2 and their valuation is based on future cash flows (estimated from observable data such as forward exchange rates and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3.

2017	Level 1 €m	Level 2 €m	Level 3 €m	**Total €m**
Financial assets at fair value:				
Commodity contracts	-	**1**	-	**1**
Forward foreign currency contracts	**-**	**8**	**-**	**8**
	-	**9**	**-**	**9**
Derivative financial liabilities at fair value:				
Commodity contracts	**-**	**(2)**	**-**	**(2)**
Forward foreign currency contracts	**-**	**(7)**	**-**	**(7)**
	-	**(9)**	**-**	**(9)**

2016	Level 1 €m	Level 2 €m	Level 3 €m	**Total €m**
Financial assets at fair value:				
Commodity contracts	-	6	-	6
Forward foreign currency contracts	-	21	-	21
	-	27	-	27
Derivative financial liabilities at fair value:				
Commodity contracts	-	(3)	-	(3)
Forward foreign currency contracts	-	(30)	-	(30)
	-	(33)	-	(33)

There were no transfers between any of the levels during the periods represented above.

(iii) Financial risk management and financial instruments

The Group uses certain financial instruments to reduce business risks arising from its exposure to fluctuations in exchange rates and base metal prices. The instruments used, which are confined principally to forward foreign exchange contracts and London Metal Exchange contracts, involve elements of credit and market rate risk in excess of the amount recognised in the accounts.

Risk management is carried out by a central Treasury department and by Tata Steel Europe Metals Trading BV under policies approved by the Board of Management. The Treasury department as well as Tata Steel Europe Metals Trading BV identify, evaluate and hedge financial risks in close cooperation with the Group's operating units.

(a) Market risk: Foreign exchange risk and management

It is the Group's policy that substantially all the net currency transaction exposure arising from contracted sales and purchases over an approximate 6 month time horizon is hedged by selling or purchasing foreign currency forwards. At 31 March 2017 the notional amounts of outstanding foreign currency contracts was €1,521m (2016: €1,488m) with a net fair value asset of €1m (2016: €9m liability).

As at 31 March 2017, a 10% appreciation of the Euro against the US dollar would decrease the net assets of Tata Steel Nederland BV by approximately €18m (2016: €11m), decrease equity by approximately €18m (2016: €11m) and have no impact on the operating profit (2016: no impact). The sensitivity analysis has been based on the composition of the dollar denominated financial assets and liabilities of the Group at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in debt, and financial lease obligations, all of which do not present a material exposure.

As at 31 March 2017, a 10% appreciation of the Euro against Sterling is not expected to impact the net assets of Tata Steel Nederland BV (2016: €5m decrease), equity (2016: €5m decrease) or have any impact on the operating profit (2016: no impact).

The net positions of the Euro versus other currencies (Norwegian Kronor, Swiss Franc) are of less importance and the sensitivity of a 10% weakening/strengthening of the Euro is therefore not significant.

(b) Market risk: Commodity risk and management

The Group makes use of commodity futures contracts to manage its purchase price risk for certain commodities. Forward purchases are made for zinc, tin and nickel to cover sales contracts with fixed metal prices. At 31 March 2017 the Group had commodity contracts with a total notional value of €153m (2016: €98m) and a net fair value liability of €1m (2016: €3m asset).

As at 31 March 2017, a 10% decrease of the market prices of zinc, tin and nickel would decrease the equity of Tata Steel Nederland by approximately €8m (2016: €6m). There was no significant market risk relating to the income statement since the majority of commodity derivatives are treated as cash flow hedges with movements being reflected in equity and the timing and recognition in the income statement depending on the point at which the underlying hedged transactions are also recognised.

(c) Market risk: Interest rate risk and management

The financial structure of the Group includes only a small percentage of net assets that have been financed by loans. During 2017 and 2016, the Group's borrowings were denominated in Euro and Sterling. The Group did not enter into interest rate swap contracts or forward rate agreements. For further details of the borrowings, such as maturity and interest rates, see Note 18.

As at 31 March 2017 the Group had fixed rate borrowings of €52m (31 March 2016: €55m) and floating rate borrowings of €2m (31 March 2016: €136m). If at 31 March 2017 the interest rate would have been 100 bps higher/lower, with all other variables held constant, profit after taxes would have shown no material change. The cash flow would also have shown no material change. For 2016, the impact would have been the same.

(d) Credit risk

Cash deposits, trade receivables and other financial instruments give rise to credit risk for the Group arising from the amounts and obligations due from counter-parties. The credit risk on short-term deposits is managed by limiting the aggregate amount and duration of exposure to any one counter party, depending on its credit rating and other credit information, and by regular reviews of these ratings. The possibility of material loss arising in the event of non performance is considered unlikely.

Sector sales teams, supported by TSE's central credit risk management department, are responsible for controlling the credit risk arising from the Group's normal commercial operations, although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposures to key customers and those where known risks have arisen or still persist. Any impairment to the recoverability of debtors is reflected in the income statement.

Credit risk also arises from the possible failure of counter-parties to meet their obligations under currency and commodity hedging instruments. However, counter parties are established banks and financial institutions with high credit ratings and the Group continually monitors each institution's credit quality and limits as a matter of policy the amount of credit exposure to any one of them. The Group's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. The Group believes that the risk of incurring such losses is remote and underlying principal amounts are not at risk.

(e) Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its financial liabilities on time and at a reasonable price. The Treasury department is responsible for liquidity and funding, and manages the liquidity risk by maintaining sufficient cash resources and by maintaining the availability of funding through available committed and uncommitted credit facilities, for further information on the credit lines see Note 18. The management of the liquidity risk is based on the calculation of the future net liquidity which results from the expected cash outflows and inflows.

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Group's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating interest rate is estimated using the prevailing interest rate at the end of the reporting period. Cash flows in foreign currencies are translated using the period end spot rates at 31 March 2017.

Liquidity risk

	Maturity of contractual undiscounted cash flows			
At 31 March 2017	**Contractual cash flows €m**	**In one year or less or on demand €m**	**Between one and five years €m**	**More than five years €m**
Non-derivative financial liabilities				
Trade and other payables 1	**(1,090)**	**(1,090)**	**-**	**-**
Borrowings				
Repayment	**(55)**	**(11)**	**(18)**	**(26)**
Fixed interest	**(15)**	**(2)**	**(7)**	**(6)**
	(1,160)	**(1,103)**	**(25)**	**(32)**
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	**(1,521)**	**(1,521)**	**-**	**-**
Receivables	**1,522**	**1,522**	**-**	**-**
Derivatives commodities: net settlement	**(1)**	**(1)**	**-**	**-**
	-	**-**	**-**	**-**
Total	**(1,160)**	**(1,103)**	**(25)**	**(32)**

1 Excludes derivatives, other taxation and social security and advances from customers

The forex derivatives outflow includes €753m from liabilities (2016: €823m); the inflow includes €746m from liabilities (2016: €793m).

	Maturity of contractual undiscounted cash flows			
At 31 March 2016	Contractual cash flows €m	In one year or less or on demand €m	Between one and five years €m	More than five years €m
Non-derivative financial liabilities				
Trade and other payables 1	(852)	(852)	-	-
Borrowings				
Repayment	(193)	(146)	(24)	(23)
Fixed interest	(17)	(3)	(7)	(7)
	(1,062)	(1,001)	(31)	(30)
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	(1,518)	(1,518)	-	-
Receivables	1,509	1,509	-	-
Derivatives commodities: net settlement	3	3	-	-
	(6)	(6)	-	-
Total	(1,068)	(1,007)	(31)	(30)

1 Excludes other taxation and social security and advances from customers

(iv) Derivative financial instruments

The Group utilises currency and commodity derivatives to hedge significant future transactions and cash flows. These items gave rise to the following fair values that have been recognised in the balance sheet:

	2017		2016	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	**1**	**(2)**	6	(3)
Forward foreign currency contracts	**8**	**(7)**	21	(30)
	9	**(9)**	27	(33)

The fair value of derivative financial instruments that were designated as cash flow hedges at the balance sheet date was:

	Forward foreign currency contracts €m	**Commodity contracts €m**	**Taxation €m**	**2017 €m**
Cash flow hedge reserve net of taxation at beginning of period	**-**	**3**	**(1)**	**2**
Change to income statement	**(11)**	**(13)**	**-**	**(24)**
Fair value recognised	**29**	**11**	**(4)**	**36**
Cash flow hedge reserve net of taxation at end of period	**18**	**1**	**(5)**	**14**

Amounts recognised in the cash flow hedge reserve, excluding deferred tax, are expected to affect profit or loss within one year.

At the balance sheet date the notional amount of outstanding foreign currency and commodity contracts that the Group has committed to is as follows:

	2017 €m	2016 €m
Commodity contracts	**153**	98
Forward foreign currency contracts	**1,521**	1,488

The Group covers substantially 100% of its contracted currency transaction exposure over an approximate 6 month time horizon by way of forward currency exchange contracts.

During the year no significant ineffectiveness from foreign currency hedges was recognised in the income statement (2016: nil).

21. Provisions for liabilities and charges

	Rationalisation Costs (i) €m	Environmental Provisions (ii) €m	Guarantee commitments (iii) €m	Employee Benefits (iv) €m	Other €m	**2017 Total €m**	2016 Total €m
At beginning of period	2	18	7	78	5	**110**	117
Charged to income statement	4	5	3	1	2	**15**	18
Released to income statement	-	-	-	-	(1)	**(1)**	(7)
Utilised during the period	(5)	-	(1)	-	(1)	**(7)**	(18)
At end of period	1	23	9	79	5	**117**	110
Analysed as:							
Current liabilities						**11**	12
Non-current liabilities						**106**	98

(i) Rationalisation costs include redundancy provisions as follows:

	2017 €m	2016 €m
At beginning of period	**1**	4
Charged to income statement	**3**	6
Utilised during the period	**(3)**	(9)
At end of period	**1**	1

(ii) The environmental provisions consist of remediation and clean-up activities that are likely to be undertaken in the foreseeable future and of which the costs can reasonably be estimated.

(iii) Guarantee commitments relate to the anticipated cost of any warranties offered to customers.

(iv) Provisions for employee benefits include long–term benefits such as long service and sabbatical leave, disability benefits and sick leave. All items are subject to independent actuarial assessments.

22. Deferred tax

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2017 €m	2016 €m
Deferred tax assets	**25**	**9**
Deferred tax liabilities	**(2)**	**(36)**
	23	**(27)**

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior period.

2017	Accelerated tax depreciation €m	Losses €m	Pension €m	Inventory €m	Provisions €m	Other €m	Total €m
At beginning of period	(16)	4	5	(22)	(2)	4	**(27)**
Credited/(charged) to income statement	21	2	(6)	27	4	7	**55**
Charged to other comprehensive income	-	-	-	-	-	(2)	**(2)**
Disposal of group company	-	-	(2)	-	-	(1)	**(3)**
At end of period	5	6	(3)	5	2	8	**23**

2016	Accelerated tax depreciation €m	Losses €m	Pension €m	Inventory €m	Provisions €m	Other €m	Total €m
At beginning of period	(7)	6	8	(29)	-	(8)	**(30)**
Credited/(charged) to income statement	(9)	(2)	(14)	7	(2)	1	**(19)**
Credited to other comprehensive income	-	-	11	-		11	**22**
At end of period	(16)	4	5	(22)	(2)	4	**(27)**

Deferred tax assets of €25m (2016: €9m) have been recognised at 31 March 2017. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSN BoM approved budgets and forecasts. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of €242m (2016: €290m) of which €239m have no expiry date and €3m will expire in 2030.

At the balance sheet date there are temporary differences associated with undistributed earnings of subsidiaries. No liability has been recognised in respect of these differences because the vast majority of these differences occur in the Netherlands, for which the participation exemption applies.

23. Deferred income

	2017 €m	2016 €m
At beginning of period	**12**	13
Releases to income statement (Note 2)	**(2)**	(1)
At end of period	**10**	12

24. Called-up share capital

For more detailed information on called-up share capital, see Parent Company Accounts, Note 7.

25. Future capital expenditure

As at 31 March	**2017 €m**	2016 €m
Contracted but not provided for	**189**	225
Authorised but contracts not yet placed	**129**	216

26. Operating leases

	2017 €m	2016 €m
Future minimum lease payments for the Group at the end of the period are:		
Not later than one year	**10**	6
Later than one year and not later than five years	**19**	11
More than five years	**3**	1
	32	18

27. Contingencies

	2017 €m	2016 €m
Guarantees given under trade agreements	**17**	63
Others	**27**	28

The Group is also party to a number of claims which may provide the Group with a future inflow of cash. No amount has been recorded in these financial statements on the basis that the Group does not consider it virtually certain that an amount will be received.

28. Reconciliation of net cash flow to movement in net funds

	2017 €m	2016 €m
Movement in loans to other Tata Steel companies	**(252)**	10
Movement in cash and short-term deposits	**(148)**	107
Movement in debt	**133**	7
Change in net debt resulting from cash flows in period	**(267)**	124
Effect of foreign exchange rate movements and other	**(3)**	(36)
Movement in net debt in period	**(270)**	88
Net funds at beginning of period	**627**	539
Net funds at end of period	**357**	627

29. Analysis of changes in net funds

	2016 €m	Cash Flow €m	Exchange rate movements and other €m	**2017 €m**
Loans to other Tata Steel companies	505	(252)	(6)	**247**
Cash at bank and short-term deposits	315	(152)	2	**165**
Bank overdrafts	(4)	4	-	**-**
Cash and cash equivalents	311	(148)	2	**165**
Borrowings	(136)	126	7	**(3)**
Obligations under finance leases	(53)	7	(6)	**(52)**
Total debt excluding bank overdrafts	(189)	133	1	**(55)**
Total net funds	627	(267)	(3)	**357**

30. Pensions and post retirement benefits

Defined contribution schemes

TSN participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by TSN at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2017 amounted to €80m (2016: €57m). Of the total cost of €80m, €76m (2016: €54m) related to payments to the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme. The SPH was reclassified and accounted for as a defined contribution scheme with effect from 7 July 2015.

Defined benefit schemes

TSN operates a number of defined benefit pension and post-retirement schemes covering the majority of employees. There are multiple plans, the most significant of which are in Germany and the USA. Benefits offered by these schemes are largely based on pensionable pay and years of service at retirement. With the exception of plans in Germany, the assets of these schemes are held in administered funds that are legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme, and are responsible for the investment policy with regard to the assets of the fund.

Within Germany, there are two types of defined benefit pension schemes, both of which are closed to new entrants. Both schemes still have active members and the pension commitment is based on years of service and position in one scheme and in the other it is based on a percentage of yearly salary. The defined benefit schemes in the USA are closed to new entrants and future benefit accruals are frozen for all employees except certain long-service hourly employees. TSN makes sufficient contributions required to fund the cost of benefits provided by the USA schemes and to increase the funding ratio to 100% over a period of approximately 10 years (to 2027). Pension provision for hourly new entrants in the USA is by means of a nation-wide union plan and for all salaried employees is by means of a defined contribution scheme.

As part of TSE's divestment of its European Long Products Business, the Group disposed of the net liability to the post-retirement scheme of Tata Steel France Rail SAS.

TSN accounts for all pension and post-retirement benefit arrangements using IAS 19 '*Employee Benefits*' with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to these schemes. The present value of the defined benefit obligation, the current service cost and past service costs are calculated by these actuaries using the projected unit credit method. However, the ongoing funding arrangements of each scheme, in place to meet their long-term pension liabilities, are governed by the individual scheme rules and national legislation. The accounting and disclosure requirements of IAS 19 do not affect these funding arrangements.

The principal defined benefit scheme of TSN up until 7 July 2015 was the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme which is the main scheme for previous and present employees based in the Netherlands. On 7 July 2015 a new SPH Pension Scheme execution agreement was signed by TSN and the SPH Pension Scheme. The agreement specified that the Company's contribution level to the SPH Pension Scheme was no longer dependent upon the funding ratio of the scheme, and the Company would no longer have a legal or constructive obligation to pay further contributions if the scheme did not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, the SPH Pension Scheme was reclassified and accounted for as a defined contribution scheme with effect from 7 July 2015 rather than a defined benefit scheme. The classification change to defined contribution resulted in the recognition of a settlement credit of €78m in the 2016 income statement equal to the net defined benefit liability position of the scheme at that date.

Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included in the balance sheet and income statement can vary significantly with only small changes in these assumptions. Furthermore the actuarial assumptions used may vary according to the country in which the plans are situated.

The key assumptions applied at the end of the reporting period for the purposes of the actuarial valuations were as follows:

2017	SPH %	Other %
Salary growth	-	1.00 to 2.00
Pension increases	-	0.00 to 1.75
Discount rate	-	1.29 to 4.10
Inflation	-	1.00 to 3.00

The key assumptions applied in relation to the SPH are nil as a consequence of the reclassification to a defined contribution scheme from 7 July 2015.

2016	SPH %	Other %
Salary growth	-	1.00 to 2.00
Pension increases	-	0.00 to 1.75
Discount rate	-	0.40 to 4.10
Inflation	-	1.00 to 3.00

The key assumptions applied in relation to the SPH are nil as a consequence of the reclassification to a defined contribution scheme from 7 July 2015.

The discount rate is set with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the scheme liabilities. Projected inflation rate and pension increases are long-term predictions based mainly on the yield gap between long-term fixed interest and government bond securities.

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans.

Income statement costs
Under IAS 19 costs in relation to pension and post-retirement plans mainly arise as follows:

- The current service cost is the actuarially determined present value of the pension benefits earned by employees in the current period. It excludes any charges or credits in respect of any deficit or surplus in the scheme respectively and so the cost is unrelated to whether, or how, the scheme is funded; and
- Net interest cost / (income) on the liability or asset is recognised in the balance sheet.

These items are treated as a net operating cost in the income statement within employment costs.

Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of comprehensive income. Examples of such variations are differences between the discount rate used for calculating the return on scheme assets (credited to the income statement) and the actual return, the remeasurement of scheme liabilities to reflect changes in discount rates, changes in demographic assumptions such as using updated mortality tables, or the effect of more employees leaving service than forecast.

Income statement pension costs arose as follows:

2017	**SPH €m**	**Other €m**	**Total €m**
Current service cost	-	4	**4**
Net interest cost	-	3	**3**
Defined benefit schemes	-	7	**7**
Defined contribution schemes	76	4	**80**
Total charge for the period	76	11	**87**

2016	SPH €m	Other €m	Total €m
Current service cost	33	4	**37**
Net interest cost	1	4	**5**
Settlements, curtailments and past service costs	(78)	-	**(78)**
Defined benefit schemes	(44)	8	**(36)**
Defined contribution schemes	54	3	**57**
Total charge for the period	10	11	**21**

The SPH defined benefit income statement net pension credit of €44m relates to the period up to 7 July 2015 when the scheme was reclassified to a defined contribution scheme.

Plan assets
The asset classes include national and international stocks, fixed income government and non-government securities and real estate. The majority of the reported plan assets are located in the EU. The pension funds invest in diversified asset classes to maximise returns while reducing volatility. The percentage of total plan assets for each category of investment was as follows:

2017	**SPH %**	**Other %**
Quoted:		
Equities	**-**	**49.5**
Bonds – Fixed Rate	**-**	**23.8**
Derivatives	**-**	**4.4**
Other	**-**	**0.6**
	-	**78.3**
Unquoted:		
Real estate	**-**	**8.5**
Cash and cash equivalents	**-**	**13.2**
	-	**21.7**
Total	**-**	**100.0**

The SPH was reclassified to a defined contribution scheme from 7 July 2015.

2016	SPH %	Other %
Quoted:		
Equities	-	49.5
Bonds – Fixed Rate	-	24.2
Derivatives	-	4.3
Other	-	4.0
	-	82.0
Unquoted:		
Real estate	-	4.7
Cash and cash equivalents	-	13.3
	-	18.0
Total	-	100.0

Balance sheet measurement
In determining the amounts to be recognised in the balance sheet the following approach has been adopted:

- Pension scheme assets are measured at fair value (for example for quoted securities this is the bid-market value on the relevant public exchange).
- Pension liabilities include future benefits that will be paid to pensioners and deferred pensioners, and accrued benefits which will be paid in the future for members in service taking into account projected earnings. As noted above, the pension liabilities are discounted with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the pension liability.

Amounts recognised in the balance sheet arose as follows:

2017	SPH €m	Other €m	**Total €m**
Fair value of plan assets at end of period	-	113	**113**
Present value of obligation at end of period	-	(252)	**(252)**
Defined benefit liability at end of period	-	(139)	**(139)**
Disclosed as:			
Defined benefit liability - current	-	(3)	**(3)**
Defined benefit liability - non current	-	(136)	**(136)**
Defined benefit liability at end of period	-	(139)	**(139)**

2016	SPH €m	Other €m	Total €m
Fair value of plan assets at end of period	-	100	100
Present value of obligation at end of period	-	(275)	(275)
Defined benefit liability at end of period	-	(175)	(175)
Disclosed as:			
Defined benefit liability - current	-	(5)	(5)
Defined benefit liability - non current	-	(170)	(170)
Defined benefit liability at end of period	-	(175)	(175)

The movements in the present value of plan assets and defined benefit obligations in 2017 and 2016 were as follows:

2017	SPH €m	Other €m	**Total €m**
Plan assets:			
As at 1 April 2016	-	100	**100**
Return on plan assets greater than the discount rate	-	7	**7**
Interest income on plan assets	-	4	**4**
Contributions from the employer	-	4	**4**
Benefits	-	(7)	**(7)**
Exchange rate movements	-	5	**5**
As at 31 March 2017	-	113	**113**
Benefit obligations:			
As at 1 April 2016	-	(275)	**(275)**
Current service cost	-	(4)	**(4)**
Interest cost on the defined benefit obligation	-	(7)	**(7)**
Actuarial loss due to actuarial experience	-	(2)	**(2)**
Actuarial gain due to financial assumption changes	-	6	**6**
Benefits paid	-	12	**12**
Exchange rate movements	-	(10)	**(10)**
Disposal of group company	-	28	**28**
As at 31 March 2017	-	(252)	**(252)**

Included within other schemes above are post-retirement medical and similar net obligations of €7m (2016: €6m).

2016	SPH €m	Other €m	Total €m
Plan assets:			
At 1 April 2015	8,198	109	8,307
Return on plan assets less than the discount rate	(388)	(5)	(393)
Interest income on plan assets	35	3	38
Contributions from the employer	20	6	26
Contributions from plan participants	8	-	8
Benefits paid	(67)	(8)	(75)
Exchange rate movements	-	(5)	(5)
Settlement of defined benefit plan	(7,806)	-	(7,806)
At 31 March 2016	-	100	100
Benefit obligations:			
As at 1 April 2015	(8,209)	(291)	(8,500)
Current service cost	(33)	(4)	(37)
Interest cost on the defined benefit obligation	(36)	(7)	(43)
Actuarial gain due to actuarial experience	30	2	32
Actuarial gain due to financial assumption changes	305	5	310
Contributions from plan participants	(8)	-	(8)
Benefits paid	67	14	81
Exchange rate movements	-	6	6
Settlement of defined benefit plan	7,884	-	7,884
At 31 March 2016	-	(275)	(275)

Actuarial gains recorded in the Statement of Comprehensive Income for the period were €11m (2016: losses of €51m).

31. Disposal of subsidiaries

On 31 May 2016, as part of TSE's divestment of its European Long Products Business, the Group completed the distribution via dividend in kind of Tata Steel France Rail SAS to Tata Steel Netherlands Holding BV.

On 29 March 2017, the Group completed the sale of Kalzip (Guangzhou) Limited to Shanghai Qinheng International Trade Co., Ltd.

(i) The net assets disposed were as follows:

2017	€m	€m
Property, plant and equipment	83	
Deferred tax assets	3	
Inventories	29	
Trade and other receivables	55	
Cash and cash equivalents	4	
Trade and other payables	(50)	
Current tax liabilities	(1)	
Retirement benefit obligations	(28)	
Net assets disposed		95
Gross consideration due to TSN	75	
Foreign exchange recycled to the income statement	2	
Goodwill (Note 7)	(21)	
Transaction fees and other costs	(2)	
Loss on disposal		(41)

(ii) Of which net cash flow arising on disposal was as follows:

	€m	€m
Gross consideration due to TSN	75	
Less: consideration received via dividend in kind	(70)	
Less: cash and cash equivalents disposed	(4)	
Net cash flow		1

(iii) Gross consideration due to TSN includes €70m in respect of consideration received via dividend in kind in respect of the distribution of Tata Steel France Rail SAS to its parent Tata Steel Netherlands Holding BV. The fair value of the dividend in kind of €70m reflects external valuations based on multiples of EBITDA, and TSN financial forecasts of cash flows for Tata Steel France Rail SAS including an assumption of a discount rate of 11% which reflects the characteristics and risk of Tata Steel France Rail SAS if it were to operate independently of the TSE group. The BoM has conducted sensitivity analysis on the discount rate for which a change of 0.5% would change the dividend in kind fair value by €4m.

32. Related party transactions

The table below sets out details of transactions and loans between TSN, other Tata Steel companies, joint ventures and associates.

	2017 €m	2016 €m
Sales to joint ventures	**49**	56
Sales to associates	**106**	86
Sales to other Tata Steel companies	**337**	352
Purchases from associates	**42**	37
Purchases of raw materials from other Tata Steel companies, acting as an agent	**1,013**	771
Purchase of emission rights from other Tata Steel companies (Note 8)	**-**	41
Other purchases from other Tata Steel companies	**235**	413
Net recharges to other Tata Steel companies	**(31)**	(44)
Amounts owed by other Tata Steel companies (Note 15)	**86**	76
Amounts owed by joint ventures (Note 15)	**3**	7
Amounts owed by associates (Note 15)	**7**	7
Derivative financial instruments owed by Group companies (Note 15)	**1**	3
Derivative financial instruments owed to Group companies (Note 17)	**-**	2
Amounts owed to other Tata Steel companies (Note 17)	**125**	84
Amounts owed to associates (Note 17)	**4**	3
Tax payable to TSNH (Note 14)	**30**	136
Loans to TSNH (Note 15)	**150**	300
Loans to other Tata Steel companies (Note 15)	**97**	205
Loans from other Tata Steel companies (Note 18)	**3**	8
Interest owed by other Tata Steel companies (Note 15)	**1**	1

Under the terms of the policy for surplus cash balances agreed between TSN, Tata Steel UK Limited and TSNH a short-term loan of €300m was granted by TSN to TSNH bearing a floating interest rate based on Euribor in the year ended 31 March 2016. During the year €150m of this loan was permanently repaid leaving an outstanding balance as at 31 March 2017 of €150m. Interest rate and other conditions of this loan are in conformity with market conditions.

The Group has received from Tata Steel Global Holdings Pte Ltd guarantees of €200m for loans it holds to certain other Tata Steel companies.

TSN's Treasury department and Tata Steel Europe Metals Trading BV are responsible for the external hedging of currency and metal risks. They also enter into transactions with Tata Steel UK Ltd Treasury and Tata Steel subsidiaries, which are not part of TSN. As at 31 March 2017 the fair value of the currency contracts with these parties was nil (31 March 2016 an asset of €3m) and the fair value of the metal contracts with these parties amounted to an asset of €1m (31 March 2016 a liability of €2m).

On 31 May 2016, as part of TSE's divestment of its European Long Products Business, the Group completed the distribution via dividend in kind of Tata Steel France Rail SAS to its parent Tata Steel Netherlands Holding BV. For further details regarding this transaction see Note 31.

Details of transactions with key management personnel are given in 'Further notes to and signing of the annual accounts' on page 60.

33. Subsidiaries and investments

The subsidiary undertakings, joint ventures, joint operations and associates of TSN at 31 March 2017 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation except where otherwise stated.

Subsidiary undertakings
Steel producing, further processing or related activities:

Austria
Kalzip GmbH

Belgium
Société Européenne de Galvanisation (Segal) SA
Tata Steel Belgium Packaging Steels N.V.
Tata Steel Belgium Services NV

Bulgaria
Corus Building Systems Bulgaria AD (65%)

France
CBS Investissement SAS
SCI Corbeil Les Rives (67.3%)
Inter Metal Distribution (I.M.D.) SAS
Tata Steel France Holdings SAS
Tata Steel France Bâtiments et Systèmes SAS
Tata Steel International (France) SAS
Tata Steel Maubeuge SAS
Unitol SAS

Finland
Naantali Steel Service Centre OY

Germany
Augusta Grundstücks GmbH
Blume Stahlservice GmbH
Corus Aluminium Verwaltungsgesellschaft mbH
Corus Beteiligungs GmbH
Degels GmbH
Fischer Profil GmbH
Hille & Müller GmbH
Kalzip GmbH
S.A.B. Profil GmbH
Service Center Gelsenkirchen GmbH
Tata Steel Germany GmbH
Tata Steel International (Germany) GmbH
Trierer Walzwerk Verwaltungsgsellschaft mbH

Italy
Kalzip Italy Srl
Tata Steel International (Italia) Srl

The Netherlands
Beheermaatschappij Industriële Producten B.V.
Corus Primary Aluminium B.V.
C.V. Bénine (76.93%)
Demka B.V.
Esmil B.V.
Huizenbezit Breesaap B.V.
S.A.B.Profiel B.V.
Staalverwerking en Handel B.V.
Tata Steel Europe Distribution B.V.
Tata Steel Europe Metals Trading B.V.
Tata Steel IJmuiden B.V.
Tata Steel Nederland Consulting & Technical Services B.V.
Tata Steel Nederland Services B.V.
Tata Steel Nederland Star-Frame B.V.
Tata Steel Nederland Technology B.V.
Tata Steel Nederland Tubes B.V.

Poland
Corus Tubes Poland Spólka z.o.o.

Singapore
Kalzip Asia Pte Limited

Spain
Kalzip Spain S.L.

Sweden
Halmstad Steel Service Centre AB

Switzerland
Montana Bausysteme AG
Tata Steel International (Schweiz) AG

United Arab Emirates
Kalzip FZE

USA
Apollo Metals, Ltd
Hille & Müller USA, Inc
Hoogovens USA, Inc
Oremco, Inc (70%)
Rafferty - Brown Steel Co. Inc. of Conn.
Tata Steel USA, Inc
Thomas Processing Comp.
Thomas Steel Strip Corp.

Unless indicated otherwise, subsidiary undertakings are wholly owned within TSN, and TSN holding comprises ordinary shares and 100% of the voting rights.

Joint ventures, joint operations and associates

	Classification	Products	2017 Turnover €m		Issued capital Number of shares	% held
France						
Isolation du Sud SA	Associate	Insulation of buildings in southern France	-	-	-	0.3
Albi Profils SARL	Associate	Construction of industrial buildings in southern France	-	-	-	30
Mexico						
Hoogovens Gan Multimedia SA de CV	Joint Venture	Inactive company	-	-	-	50
The Netherlands						
GietWalsOnderhoudCombinatie B.V.	Associate	Maintenance of parts of direct sheet plant	12	Shares of €454	100	50
Hoogovens Court Roll Surface Technologies VOF	Joint Operation	Processing chrome deposit on rolls	4	-	-	50
Industrial Rail Services IJmond B.V.	Joint Venture	Maintenance and construction of rail infrastructure	-	Shares of €180	100	50
Laura Metaal Holding B.V.	Joint Venture	Trading and processing of non-prime metal	100	Shares of €454	5,600	49
Wupperman Staal Nederland B.V.	Associate	Purchase, process, refine and sale of steel products and other metal produc	257	Shares of €1,000	8,000	30
Norway						
Norsk Stal Tynnplater AS	Joint Venture	Processing of strip and long products	63	Shares of NOK1,000	26,500	50

Parent company income statement

For the financial period ended 31 March

	2017 €m	2016 €m
Income group companies excluding parent	**218**	154
Other income and charges, after taxation	**(7)**	3
Net profit after taxation	**211**	157

Parent company balance sheet

As at 31 March Before appropriation of the result for the year	Note	2017 €m	2016 €m
Fixed assets			
Financial fixed assets	1	**2,538**	2,574
Loans to group companies		**364**	376
		2,902	2,950
Current assets			
Receivables	2	**249**	548
Current tax assets	3	**2**	
Cash and short-term deposits	4	**15**	131
		266	679
TOTAL ASSETS		**3,168**	3,629
Current liabilities			
Borrowings	5	**495**	1,024
Other payables	6	**68**	83
Current tax liabilities	3	**-**	4
		563	1,111
TOTAL LIABILITIES		**563**	1,111
NET ASSETS		**2,605**	2,518
Equity			
Called-up share capital	7	**388**	388
Share premium account	7	**13**	13
Legal Reserves	7	**28**	17
Other Reserves	7	**1,965**	1,943
Result for the year	7	**211**	157
Equity attributable to owners of the Company		**2,605**	2,518

Parent company 2017 accounts

Introduction

The accounts of the parent company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Section 362 (8), Book 2, Dutch Civil Code, allows companies that apply IFRS as adopted by the European Union in their consolidated accounts to use the same measurement principles in their parent company accounts. The Company has decided to use this provision from 1 April 2015 onwards. The accounting policies are described in Presentation of consolidated accounts and accounting policies.

Presentation of parent company accounts and accounting policies

The parent company statement of income has been prepared in accordance with Section 2:402 of the Dutch Civil Code, which allows a simplified Statement of income in the Company financial statements in the event that a comprehensive Statement of income is included in the consolidated Group financial statements.

Information on the use of financial instruments is provided in Note 20 of the consolidated report and accounts.

Additional information
For 'Additional information' within the meaning of Section 2:392 of the Dutch Civil Code, please refer to section D, Other Information and section E. of this Annual Report, Independent auditor's report.

Notes to the parent company accounts

1. Financial fixed assets

	Investments in group companies	Loans to own group companies	**Total**
	€m	€m	**€m**
Balance sheet value at 31 March 2016	2,574	376	**2,950**
Movements in 2016/17:			
Income group companies	218	-	**218**
Dividend payments	-	-	**-**
Other comprehensive income	21	-	**21**
Capital disposals	(275)	-	**(275)**
Change in consolidation	-	-	**-**
New loans	-	40	**40**
Loan redemptions	-	(52)	**(52)**
At 31 March 2017	2,538	364	**2,902**

Investments in group companies are accounted for using the equity method. Goodwill paid upon the acquisition of investments in group companies is included in the net equity value of the investment and is not separately shown on the face of the balance sheet.

The long-term loans to group companies also include loans, which although formally in the short-term category, are of a long-term economic nature. The list of group companies is presented in Note 33 of the consolidated accounts.

2. Receivables

	2017	2016
	€m	€m
Amounts owed by group companies	**17**	6
Interest receivable from group companies	**2**	2
Derivative financial instruments	**16**	48
Other debtors	**2**	2
Loans to other Tata Steel companies	**212**	490
	249	548

Derivative financial instruments comprise forward foreign currency contracts only.

The Company has received from Tata Steel Global Holdings Pte Ltd guarantees of €200m for loans it holds to other Tata Steel companies.

3. Current tax

	2017	2016
	€m	€m
Dutch corporation tax assets	**2**	-
Dutch corporation tax liabilities	**-**	(4)
	2	(4)

4. Cash and short-term deposits

	2017	2016
	€m	€m
Cash at bank and in hand	**15**	131
Cash and short term deposits	**15**	131

Cash and banks consist of bank balances and deposits with a maturity within 3 months when acquired.

5. Borrowings

	2017 €m	2016 €m
Borrowings		
Borrowings from own group companies	**337**	863
Bank and other loans	**158**	161
	495	1,024

The borrowings from own group companies bear interest rates based on EURO Libor or official local rates. These rates are fixed for periods of up to six months. The weighted average interest rate on short-term borrowings from other Tata Steel companies was 0.1% (2016: 0.1%). The €126m (£100m) drawn on the SFA included in bank and other loans in the prior year has been fully repaid in the year.

6. Other payables

	2017 €m	2016 €m
Amounts owed to group companies	**33**	26
Derivative financial instruments	**16**	49
Other payables	**19**	8
	68	83

Derivative financial instruments comprise forward foreign currency contracts only.

7. Capital and reserves

	Share capital €m	Share premium account €m	Legal reserve €m	Other reserves €m	Result for the year €m	Total €m
Balance as at 31 March 2015	388	13	27	1,818	265	**2,511**
Appropriated result	-	-	-	265	(265)	**-**
Profit after taxation	-	-	-	-	157	**157**
Actuarial gains/(losses)	-	-	-	(40)	-	**(40)**
Translation reserve	-	-	-	-	-	**-**
Hedging reserve	-	-	(10)	-	-	**(10)**
Dividend	-	-	-	(100)	-	**(100)**
Balance as at 31 March 2016	388	13	17	1,943	157	**2,518**
Appropriated result	-	-	-	157	(157)	**-**
Profit after taxation	-	-	-	-	211	**211**
Actuarial gains/(losses)	-	-	-	10	-	**10**
Translation reserve	-	-	(1)	-	-	**(1)**
Hedging reserve	-	-	12	-	-	**12**
Dividend	-	-	-	(145)	-	**(145)**
Balance as at 31 March 2017	388	13	28	1,965	211	**2,605**

The authorised share capital of the Company at 31 March 2017 amounts to €1,300,000,000 (31 March 2016: €1,300,000,000) and consists of 130,000,000 ordinary shares of €10.00 each.

Both at 31 March 2017 and 31 March 2016 38,760,710 ordinary shares were in issue to a nominal value of €387,607,100. All shares in issue have been fully paid up. All the outstanding ordinary shares were held by Tata Steel Netherlands Holdings BV.

The shares of Tata Steel Nederland BV have been pledged to the Banking syndicate as security for the Senior Secured Facility Agreement between Tata Steel UK Holdings Limited (formerly Tata Steel UK Limited) and Tata Steel Netherlands Holdings BV (formerly Tata Steel Netherlands BV) and a syndicate of banks.

Legal reserves include a cash flow hedge reserve of €14m (2016 €2m) and a translation reserve of €14m (2016: €15m).

8. Contingent liabilities

	2017	2016
	€m	€m
Guarantees and securities on behalf of group companies	**25**	36

Tata Steel Nederland BV has provided a declaration of liability, as referred to in Article 403, Book 2, of the Dutch Civil Code, for the debts of its subsidiaries Tata Steel Nederland Technology BV and Tata Steel Nederland Services BV.

As of 1 January 2008 Tata Steel Nederland BV and most of its Dutch subsidiaries are part of the Dutch fiscal entity “Tata Steel Netherlands Holdings BV”, which is the ultimate parent within the Dutch fiscal entity.

The Company has provided letters of support on behalf of Tata Steel Nederland Tubes BV, Tata Steel France Bâtiment et Systèmes SAS, Tata Steel Mauberge SAS, Degels GmbH and Kalzip Asia Pte Ltd to enable these companies to continue their operations until the date of the approbation by the shareholder of the financial statements for the year ending 31 March 2018.

9. Other

No employees are employed by the Company, unchanged from the previous reporting period.

Regarding the statement of audit fees Tata Steel Nederland BV applies the exemption as referred to in Article 382a Part 3, Book 2 of the Dutch Civil Code.

Further notes to and signing of the annual accounts

Group and affiliated companies and other capital interests
A list forming part of the Annual Accounts with names and other particulars of companies in which Tata Steel Nederland BV directly or via group companies participates or holds capital interests in other ways has been filed with the Trade Register in Amsterdam.

Remuneration of and loans to members of the Board of Management and of the Supervisory Board*

	2017	2016
	€	€
The total employment costs of the Board of Management of Tata Steel Nederland BV were:		
Emoluments of current and former members	**1,952,637**	875,002

* Borne by the Company and its subsidiary or group companies

Employment costs relate to all activities within the Group of the members of the Board of Management.

The amount of loans granted as at 31 March 2017 totalled €0 (31 March 2016: €35,535). These were interest-free loans to former members of the Board of Management to finance purchases of accommodation. An amount of €35,535 was repaid on these loans in the 12 months to 31 March 2017 (12 months to 31 March 2016: €3,620).

The Annual General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. This was last done in 2014, becoming effective in 2015.

	2017	2016
	€	€
Remuneration of the members of the Supervisory Board*	**125,000**	125,000

* Borne by the Company and its subsidiary or group companies

The members of the Supervisory Board do not own any securities in the Company's capital or rights thereto.

Appropriation of the result for the financial year 2017
During the year the following dividends were paid:
- €70m in May 2016 paid via dividend in kind as part of TSE's divestment of its Long Products Business. This was settled by the transfer of the shares of Tata Steel France Rail SAS.
- €75m in March 2017.

The Supervisory Board and the Board of Management propose no further dividends for the financial year 2017.

Signing of the Annual Accounts
The 2017 Annual Accounts of Tata Steel Nederland BV have been signed by all the members of the Board of Management and by all the members of the Supervisory Board.

Board of Management	Supervisory Board
Th.J. Henrar, Chairman	J.H. Schraven, Chairman
J.E. van Dort	M.J.L Jonkhart
J. van den Berg	L.M.T Boeren
	J.L.M. Fischer

IJmuiden, 12 July 2017

D. Other information

Independent Auditor's Report
Reference is made to the Auditor's Report as included hereinafter.

Appropriation of result according to Articles of Association
Article 36, of the Articles of Association stipulates that, the profit available for distribution is at the disposal of the General Meeting of Shareholders.

E. Independent auditor’s report

To the shareholders and the supervisory board of Tata Steel Nederland B.V.

REPORT ON THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our Opinion

We have audited the financial statements for the year ended 31 March 2017 of Tata Steel Nederland B.V., based in IJmuiden. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in these annual accounts give a true and fair view of the financial position of Tata Steel Nederland B.V. as at 31 March 2017, and of its result and its cash flows for the year ended 31 March 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The company financial statements included in these annual accounts give a true and fair view of the financial position of Tata Steel Nederland B.V. as at 31 March 2017, and of its result for the year ended 31 March 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 March 2017.

2. The following statements for the year ended 31 March 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 March 2017.

2. The company profit and loss account for the year ended 31 March 2017.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Tata Steel Nederland B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor’s report, the annual accounts contain other information that consists of:

- Reports of the Supervisory Board and Board of Management

- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.

- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the supervisory board as auditor of Tata Steel Nederland B.V. on March 1, 2017, as of the audit for the year ended 31 March 2017 and have operated as statutory auditor ever since that date.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.
We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, July 12, 2017

Deloitte Accountants B.V.

Initial for identification purposes:

J. Hendriks