TATA STEEL

Tata Steel UK Holdings Limited

Report & Accounts 2017

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A1. Group's business

Introduction

The directors have pleasure in presenting their strategic report together with the audited accounts of Tata Steel UK Holdings Limited ('TSUKH' or the 'Company'), and TSUKH and its consolidated subsidiary companies (the 'Group'), for the year ended 31 March 2017.

Ownership

The ultimate UK parent company of TSUKH is Tata Steel Europe ('TSE'), which is a wholly-owned subsidiary of T S Global Holdings Pte. Limited, an unlisted company registered in Singapore. 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. TSUKH's main subsidiaries are Tata Steel IJmuiden BV ('TSIJ') and Tata Steel UK Limited ('TSUK'), which are companies incorporated in the Netherlands and the UK respectively.

Principal activities

The principal activities of the Group in 2016/17 comprised the manufacture and sale of steel products throughout the world. The Group's continuing operations produced carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the Netherlands at IJmuiden and in the UK at Port Talbot. During 2016/17 these plants produced 10.6mt of liquid steel, 0.5mt lower than 2015/16 due mainly to restructuring measures implemented in the previous year in the UK in order to focus on higher value products. 7.0mt of liquid steel was produced in 2016/17 at IJmuiden (2015/16: 7.1mt) and 3.6mt at Port Talbot (2015/16: 4.0mt).

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

Principal end user markets for the Group's steel products are industry strip, construction, automotive, retail and packaging.

Further information on TSUKH can be obtained from either TSE's website (www.tatasteeleurope.com) and/or the TSL 2016/17 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

On 29 March 2016 the TSL Board announced that it had advised the TSE Board to explore all options for a portfolio restructuring of its European business including the potential divestment of its subsidiary TSUK, in whole or in parts. To date this strategic review has culminated in the following key events based in Europe:

- On 31 May 2016 TSUKH's European Long Products business was sold to Greybull Capital LLP. The Long Products business has been disclosed in the financial statements within discontinued operations (see Note 6).
- On 8 July 2016 TSE announced that it had started discussions with several strategic partners, including ThyssenKrupp AG, about building a larger, world class and globally competitive strip steel business.
- Speciality steel and bar products ('Speciality Steels') are produced in the UK at Rotherham using the electric arc furnace method. On 9 February 2017 TSE signed an option agreement with Liberty Speciality Steels Ltd ('Liberty Steel') and Liberty House Group Pte Ltd as guarantor to divest its Speciality Steels business. The transaction subsequently completed on 1 May 2017. In the financial statements the Speciality Steels business has been classified as held for sale at 31 March 2017 and disclosed within discontinued operations (see Notes 17 and 6 respectively).
- On 31 March 2017 the British Steel Pension Scheme ('BSPS') was closed to future accrual and replaced by a contract based defined contribution group personal pension arrangement. In addition, as announced by TSL on 16th May 2017, the key commercial terms of a Regulated Apportionment Arrangement ('RAA') have been agreed in principle between TSUK and the BSPS Trustee. Since that time the negotiation of detailed RAA documentation has continued and whilst the RAA remains subject to formal approval by the Pensions Regulator ('tPR') and non-objection from the Pensions Protection Fund ('PPF') positive discussions are ongoing and TSUK is hopeful of reaching final agreement shortly. These changes represent key steps towards achieving a more sustainable future for TSUK.

A2. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are as follows:

Risks	Mitigating factors
Health, safety, environmental and other compliance matters	
The Group's 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 both the UK and Netherlands. Current operational processes lead to the creation of by-products. For some of these by-products, there are no internal process routes to re-process problematic scrap and no recycling outlets for waste materials. TSUKH's priority at all times is health and safety and available capital funding is targeted on these schemes, which constrains and defers other expenditures.	The Group has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the TSE Board and the Executive Committee to enforce compliance, to continuously improve health and safety performance and to minimise the impact of the Group's operations on the environment. The Group continues to engage with EU 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. A focus for operations and procurement is to minimise environmental impacts by selecting raw material on its environmental credentials (as well as quality) in order to minimise landfill tonnages and identify external opportunities for use/sale of by-products. The disparities in legislation across steel producers reinforce the continued need to build brand reputation and customer loyalty.
Our workforce	
The economic climate, the global steel market and related challenges for TSUKH continue to put pressure on industrial relations and maintaining a critical mass of engineers and other specialist functions. In addition developments in other engineering, construction and manufacturing will increase the challenge to recruit and retain skilled craft TSUK employees. The long-term success and competitiveness of steel making in the EU requires the ongoing partnership with trade bodies and continuance of beneficial industrial relations in the face of future uncertainties. Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing TSUKH.	Strategic collaborations with Mainland Europe (MLE) Technical Universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Financing	
TSUKH is financed in part through external bank facilities referred to as the senior facility agreement ('SFA'), which will require refinancing in the future. The SFA facility is provided by a syndicate of international banks, and provides flexibility to fund future capital expenditure schemes. Servicing of interest payments in challenging trading conditions continues to represent a risk to the business. A significant amount of funding has also been provided to TSUKH from TSL Group companies.	In order to effectively manage this risk, the forecast requirements of the Group continue to be closely monitored and 'downside' sensitivities are undertaken regularly to ensure the adequacy of facilities.
Trading in the global steel market	
The Group's financial performance is influenced by the global steel market and the economic climate in Europe. The impact of Brexit is currently unknown. Brexit is likely to provide both opportunities and threats. As more information on the nature of the new relationship between the UK and the EU emerges, TSUKH will continue to plan for and address these changes and impacts on our customers markets and the procurement decisions of end users. 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 are needed to change international trade practices. Such actions would impact adversely on the Group's ability to export steel products to the US. However US steel manufacturers cannot currently meet in full the market demand for steel products in the US. The EU ETS and UK energy costs continue to absorb additional resources when compared to competitors not subject to the same legislation.	Driven by overcapacity, analysts are expecting a significant change in the make-up of European steel manufacturers in FY 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 rationalisation of operations. Continue to target and sell a high value, differentiated product mix, maintaining country share of exports to NAFTA. Develop new and alternative markets. In future the competitive disadvantage from the EU ETS could be offset by a CO_2 EU Border Tax as part of a drive to reduce CO_2 emissions from what the EU consumes as well as from what it produces.
Long term competitiveness	
The Group's manufacturing 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 TSUKH's strip products. In order to maintain its ability to successfully compete in the long term the Group is undertaking a number of initiatives, including cost reduction measures and business specific improvement plans.	Alongside other specific compliance controls TSUKH sets clear direction on specific behaviours and ethics expected of employees and how these link to achieving TSUKH objectives. The Group will continue to target and sell a high value, differentiated product mix.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Performance and operations	
Even though steel margins 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 EU steel spreads in 2017/18 to reduce from current levels to levels experienced at the beginning of 2016/17.	Whilst the Group seeks to increase differentiated/premium business that is less dependent on market price movements, it still retains focus in both the UK and 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.
Pensions	
The key sponsor for the BSPS is TSUK. In recent years the scheme has also benefitted from guarantees from other group entities and has shared (on a limited basis) with bank lenders in certain security. The size of TSUK relative to BSPS, and the risks that poses going forward mean that the Group cannot sustain the sponsorship of the existing BSPS. The Group has put in place a framework to manage pension risks and works with schemes' trustees to ensure that obligations remain affordable and sustainable. Last year and on an ongoing basis the UK Pensions Regulator, BSPS Trustee and Trade Unions have been engaged to find a secure resolution for the future of TSUK and to continue to provide employees with a high-quality pension. On 31 March 2017 the BSPS was closed to future accrual and replaced by a contract based defined contribution group pension arrangement.	As announced by TSL on 16 May 2017, the key commercial terms of a RAA have been agreed in principle between TSUK and the BSPS Trustee. Since that time the negotiation of detailed RAA documentation has continued and whilst the RAA remains subject to formal approval by tPR and non-objection from the PPF positive discussions are ongoing and TSUK is expecting to reach final agreement shortly. The effect of the RAA would be to remove the BSPS liabilities from TSUK, TSUKH and the other sponsoring employers; the existing guarantees and security granted in favour of the BSPS Trustee will also be released. TSUK has also agreed in principle, that subsequent to an RAA, that TSUK would sponsor a closed new pension scheme (the 'New Scheme'). TSUK sponsorship of a New Scheme is conditional upon satisfaction of certain qualifying conditions. If those conditions are satisfied, members of the BSPS would be offered an option to transfer to the New Scheme. The New Scheme would have lower future annual increases for pensioners and deferred members than the BSPS and therefore an improved funding position which would pose significantly less risk for TSUK. There is presently no certainty with regards to the eventual existence, size, terms or form of the New Scheme and the funding position and membership of any New Scheme would be dependent on the results of the voluntary membership transfer exercise. The results of the member transfer exercise would not be known until the end of 2017 at the earliest, but the RAA would become effective before the transfer exercise and would not be conditional upon it. BSPS will then be wound up and enter the PPF (see Note 20 for further details).

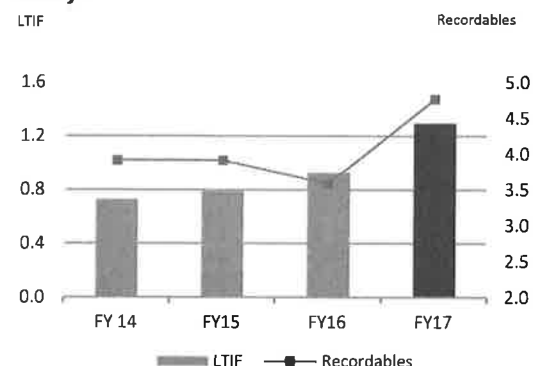
A2. Principal risks and uncertainties

Risks	Mitigating factors
Exchange rates	
The Group derives most of its revenue in the EU, but has substantial assets and sales in the UK, which is not a member of the Euro-zone. Major raw material purchases are denominated mainly in US dollars. As a result, the Group is impacted by the relationship between sterling, the Euro and the US dollar. In general, a strengthening of sterling reduces the sterling value of export revenues from the UK, it improves the relative competitiveness of steel producers in countries with weaker currencies enabling them to discount prices in the UK market, and it exposes customers to similar pressures leading to a reduction in demand for steel in the UK. In contrast, a strengthening of sterling reduces the sterling cost of the Group's raw materials, which are purchased predominantly in US dollars.	The Group operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates. The Group is also actively diversifying its geographic customer base which helps mitigate dependence on particular currency zones.
Raw materials and energy	
The Group 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. The Group maintains operations through strong supplier relationships and flexible sourcing. The Group continues to closely monitor market conditions and seeks to put in place contractual arrangements to ensure security of critical supplies.	The Group 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 electricity and by initiatives to improve the Group's energy efficiency which include capital expenditure.

A3. Key Performance Indicators (KPIs)

KPI | **Rationale** | **Comments**

Safety:



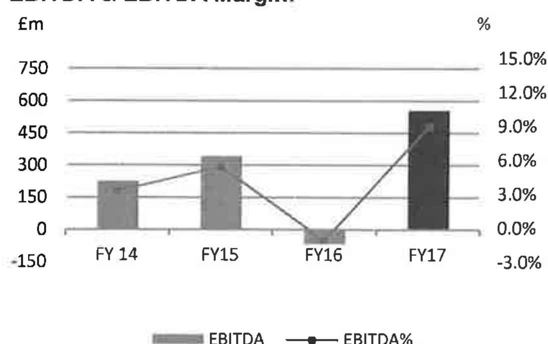
Rationale

- This shows the lost time injury frequency rate ('LTIF') from continuing operations to provide a basis of comparison with industry peers. The frequency rate (as with 'recordables') is reported per million employee and contractor hours worked as a rolling twelve-month average.
- Recordables are defined as all work related incidents resulting in harm to a person or persons excluding those that require no more than first aid treatment.

Comments

- LTIF increased to 1.3 in 2016/17, which compares to 0.93 in 2015/16.
- The recordables rate also increased, from 3.59 in 2015/16 to 4.77 in 2016/17, although proportionally not to the same extent as LTIF.
- It has not been possible to determine any common causes for the deterioration, but there were a high number of slips, trips and falls during the year.

EBITDA & EBITDA Margin:



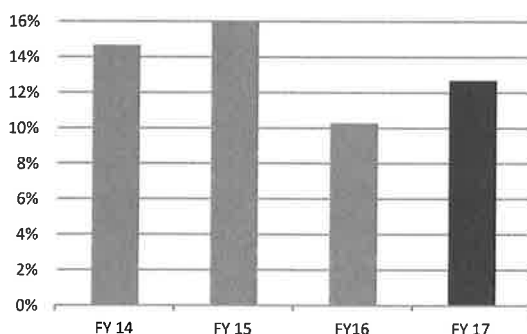
Rationale

- EBITDA is defined as earnings from continuing operations (before restructuring & impairment credits/costs, exceptional pension items, profit/loss on disposals, interest, tax, depreciation and amortisation). EBITDA margin shows EBITDA as a percentage of Group revenue.
- EBITDA margin measures how efficiently revenue is converted into EBITDA.

Comments

- Excluding an exceptional pension charge of £413m (2015/16: exceptional pension credits of £954m; see page 14) EBITDA in 2016/17 improved to £557m (2015/16: £67m loss) and the EBITDA margin to 9.4% (2015/16: (1.2)%) due mainly to increased steel margins and implementation of restructuring measures in the UK.

Working capital/turnover:



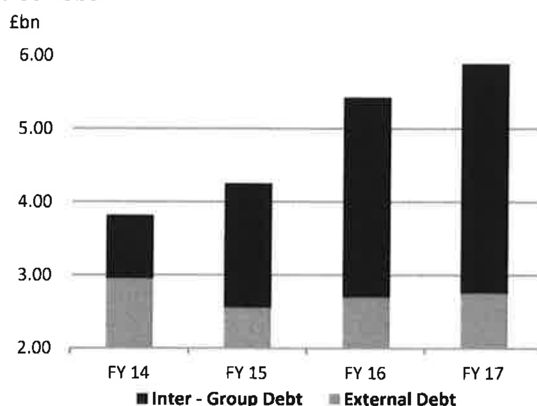
Rationale

- This shows year-end working capital as a percentage of the annualised quarter 4 revenue for each relevant year.
- It measures how efficiently the Group manages its raw material, steel and other inventories, and payment terms and cash flow with suppliers and customers.
- It excludes the impact of arrangements with TSL group companies (see Note 33).

Comments

- 12.7% for 2016/17 increased from 2015/16 (10.3%).
- Increase in the year primarily driven by higher inventories.

Net Debt:



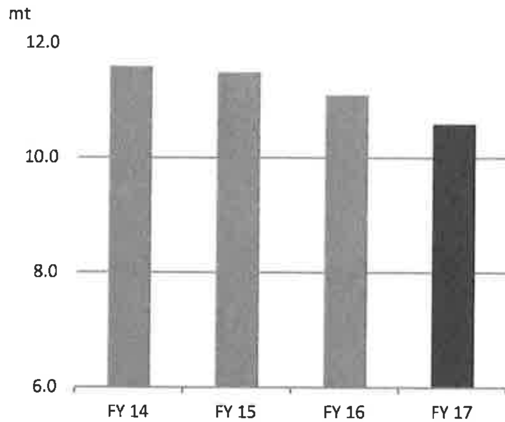
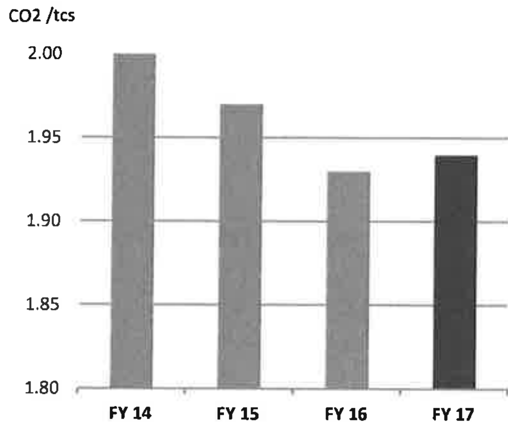
Rationale

- This shows total debt less cash and cash equivalents, and short-term investments.
- It reflects the Group's overall funding position.
- Inter-group debt is not serviced.

Comments

- £5,402m at the end of 2016/17 of which £2,992m is inter-group debt (2015/16: £4,920m of which £2,597m inter-group debt).
- Increase in net debt is primarily due to net cash outflows used in investing activities and exchange rate translation losses on euro denominated SFA debt.
- The arrangements with Tata Steel Global Procurement Co. Pte Limited ('Proco') (see Note 33) continued to favourably impact net debt levels.

A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments
Volume Performance:  	• Liquid steel production from continuing operations. This reflects the level of physical activity and is a key indicator of the manufacturing performance of upstream assets. • It is also a measure by which the steel industry compares the size of companies on a global scale.	• 10.6mt in 2016/17 (2015/16: 11.1mt). • Decrease due to restructuring measures undertaken in the UK in 2015/16 to rationalise costs and focus on higher margin business.
Environment:  	• The Group measures its CO_2 emissions per tonne of crude steel produced through the integrated steelmaking route, including direct and indirect emissions.	• Emissions from continuing operations in 2016/17 at 1.94 was increased from the previous year (2015/16: 1.93).

Business environment and prospects

Dynamics of the business

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, changing trade flows and exchange rate 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 the UK and mainland Europe, changes in the global market for steel influence the financial performance of TSUKH.

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 against major currencies. The UK economy grew by 1.8% in 2016 (2.2% in 2015). The economic impact of Brexit has to date been modest except for a significant depreciation of sterling against major currencies including the euro and the US dollar. Growth in China again decelerated, in 2016 to 6.7% (2015: 6.9%). The government is seeking to transform the economy from being investment led to become more consumer driven, as its cost advantage is being eroded.

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% increase).

In 2016, global steel production increased by 1.0% (2015: decrease 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 (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.

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 in 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%).

Civil society advocacy

TSUKH continuously engages with Governments at various levels and other civil society stakeholders such as non-Governmental organisations to inform the elements of public policy and regulation relevant to its business. Its objective is to help create the right conditions for a sustainable steel industry in terms of a level playing field versus international competitors, a competitive cost base and attractive conditions for innovation and investment.

The fight for a level playing field against unfairly priced steel imports 'dumped' into Europe continued to be a major focus during the year under review. There were notable successes on a number of product cases, such as hot rolled coil imports from China. Nevertheless, the structural imbalances in steel supply and demand across the world continue to create the risk of further predatory trade flows. Therefore the need for structural reform of trade policies to ensure both free and fair

trade continues to be a key part of TSUKH's advocacy agenda.

The UK referendum result to pursue Brexit and the subsequent changes in senior political stakeholders required additional engagement activity. TSUKH is undertaking close monitoring of changes in the UK's future trading relationships although it is too early to assess in detail the opportunities and challenges that these changes may present to TSUKH.

In the UK specifically TSUKH and TSUK engaged with civil society stakeholders at all levels on the strategic developments effecting the business, including potential portfolio changes and issues arising from the relationship between TSUK and the BSPS. More broadly, TSUK commenced its engagement with UK steel sector peers and the UK Government regarding the welcome announcement of the development of a modern industrial strategy for the UK.

Prospects for 2017

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.

Employees

Health and safety

Health and safety continues to be the Group's first priority as it strives to achieve its ambition of being an industry benchmark.

Positively there were no fatal accidents for the fifth consecutive year in 2016/17 with wide ranging interventions to ensure that this is maintained. Training for Group Senior Managers focusing on their leadership role related to health & safety has been completed. This will be extended to more junior Business Senior Managers during 2017/18. In addition, deployment of a process safety leadership course was started in 2016/17 and will be completed in 2017/18.

The combined lost time injury frequency ('LTIF') rate in 2016/17 for employees and contractors deteriorated to 1.3 compared to 0.93 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, similarly increased, although proportionally not to the same extent, from 3.59 in 2015/16 to 4.77 in 2016/17. No common causes for the deterioration have been identified, but a 'back to basics' campaign focusing on hazard identification and risk minimisation has been initiated. Furthermore, behavioural aspects of safety and the root causes of accidents and incidents will be a key focus in 2017/18.

Employee numbers

At 31 March 2017 the number of employees in continuing operations in the Group was 20,800 compared to 21,800 at 31 March 2016. The reduction was mainly attributable to restructuring measures implemented in the UK in response to continued difficult steel market conditions.

On 31 May 2016 TSUKH completed the sale of its European Long Products business to Greybull Capital LLP and on 1 May 2017 completed the sale of its Speciality Steels business to Liberty Steel. These businesses included 4,600 and 1,700 employees respectively on the date of disposal and have been disclosed in the financial statements as discontinued operations.

Employment policies

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

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and employ them where suitable work can be found. The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed. All reasonable measures are taken to ensure that disabled

employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who become disabled while working for the Group.

In the Netherlands the existing Tata Steel IJmuiden collective labour agreement (CLA) agreed with the Dutch Trade Unions in 2015 covered the 2 year period to end April 2017. This included an extensive programme on sustainable employment as the average age of employees in the Netherlands had increased and, due to the higher retirement age, employees would have to continue to work to a higher age than before. In response to these demographic changes key programmes focused on improving both the ability and the willingness of employees to work longer were agreed and supported by the Dutch Trade Unions and Works Council. A new CLA covering the 2 year period to end April 2019 was agreed with the Dutch Trade Unions on 26 April 2017. This included a commitment from Tata Steel IJmuiden to support the participation of younger employees in its workforce by allowing two employees aged over 60 to share their job to create a position for a younger employee. In response to concerns over the higher retirement age in the Netherlands the new CLA will allow employees for a period of five years before retirement to reduce their job time by 50% in exchange for a reduction in salary and other employee benefits.

UK Steel Enterprise Limited ('UKSE') is the Company's subsidiary that helps the economic regeneration of communities affected by changes in the steel industry and it has delivered packages of support measures to a variety of businesses across all steel areas of the UK to help them create new job opportunities for steel communities. UKSE continues to be very active in response to the restructurings undertaken in the UK in recent years.

Pension arrangements

The principal defined benefit pension scheme in the Group at 31 March 2017 was the BSPS in the UK. On 31 March 2017 the BSPS was closed to future accrual and replaced by a contract based defined contribution group pension arrangement. On 7 July 2015 the Stichting Pensioenfonds Hoogovens scheme ('SPH') in the Netherlands was reclassified from defined benefit to defined contribution following signing of a new pension agreement. Further details on these schemes and the above changes are provided in Note 20.

Modern Slavery Act

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or its supply chains. The board of Tata Steel Europe Limited has approved a statement setting out the measures taken by the Group during the financial year ended 31 March 2017. The statement will be issued by Tata Steel Europe on behalf of itself and its relevant UK subsidiary companies and published on the Tata Steel Europe website.

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. The Group 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, the Group's products are also part of the solution to climate change. Steel has inherent environmental advantages, as it is durable, adaptable, reusable and recyclable. It is used, for example, in lighter, stronger and safer transport systems, and in affordable and energy-efficient modular homes. As a result, CO_2 emissions in steel production can be offset by reductions in direct and indirect emissions through the life cycle of steel products, achieved through effective product development and design, and through recycling at end-of-life. Some related developments are discussed in the section on research and development.

Furthermore, the Group aims to contribute positively to the communities around or near to its operations and encourages biodiversity and nature conservation.

Energy efficiency and CO_2 emissions

In the Netherlands, the Group participates in a voluntary agreement with the Dutch government regarding energy efficiency improvements over the period 2013 to 2016 (with the previous agreement extending from 2009 to 2012 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 4.7% (2015: 4.1%).

In the UK, as a result of being in a Climate Change Agreement ('CCA'), the Group has continued to benefit from reduced rates in relation to the Climate Change Levy ('CCL'). This CCA includes a specific energy reduction target of 7% by 2020 (compared to 2008). Achievement of this target and various intermediate milestone targets will allow the Group to continue to benefit from reduced rates of CCL.

In April 2014, the UK Government introduced an exemption from CCL for certain metallurgical and mineralogical processes. As a result, exposure to CCL for TSUKH significantly reduced from 2014/15 onwards. However, the CCA (and the 7% reduction target) has been retained in order to continue to allow a reduced rate of CCL for those processes not covered by the exemption. TSUKH's UK operations achieved an energy reduction of 12.1% in the second milestone period (2015 and 2016 inclusive) compared to a target of 4.7%. This over-achievement will be used to support achievement of the third milestone period target (2017 and 2018 inclusive).

More generally, the Group continues to invest in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, the Group is also working 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.

The Group met its environmental obligations in Phase 1 (2005 to 2007) and Phase 2 (2008 to 2012) of the EU ETS and expects to do the same in Phase 3 (2013 to 2020). The Group was in surplus over Phase 2, primarily as a result of generally lower production levels since October 2008, but expects to be short of allowances over Phase 3. The emission rights trading price at 31 March 2017 was approximately €5 per tonne of CO_2 (31 March 2016: €5).

TSUKH CO_2 emissions (tonnes per tonne of crude steel) for continuing operations in 2016/17 at 1.96 compared to 1.93 in 2015/16.

Environmental complaints

As part of its overall strategy to reduce environmental complaints the company organises regular meetings with citizens of local communities to inform them about measures taken by the Company to reduce emissions and to listen to people's main issues and concerns regarding the Company's activities.

Climate change taxes, levies and compensation

In response to concerns being raised by energy intensive industries, including steel, in relation to the effects that climate change related taxes and levies such as the carbon price floor and the emission costs under Phase 3 of the EU ETS are having on international competitiveness, a compensation package for energy intensive industries was announced in principle by the UK Government in 2012. This has now been largely implemented. In the March 2014 Budget, the UK Government announced an extension of the already announced compensation package to 2019/20 and that the carbon price floor rate would be capped from 2016/17 to 2020. Furthermore, compensation to energy intensive industries for increased energy prices resulting from the Renewables Obligation & from Feed in Tariffs (FiTs) was brought forward to 2015/16.

Research & development

Organisational changes

In September 2015 the Advanced Coatings Knowledge group operating within TSUKH's research and development organisation in the UK opened a new facility co-located with Warwick University. This new facility will further develop innovative products which help TSUKH's customers become more competitive. The move is to allow greater collaboration with world-class scientists and researchers to create new steels for customers who are shaping the low-carbon technologies of tomorrow.

As part of the process to ring fence the Long Products business within TSUKH, the long products research and development programme, including the employees who perform the research, was transferred into the Long Products business.

Research & Technology programme

Approximately 85% of the TSUKH 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 TSUKH'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.

Process development

The process technology programme in 2016/17 was focused on robust and stable manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports the company's manufacturing and differentiated product strategy. Key achievements during FY17 were:

- Introduction of a new model based energy management system in IJmuiden that optimises the generation, distribution and utilisation of energy carriers in the integrated steelmaking site.
- Improved temperature control of the cooling process in the Port Talbot Hot Strip Mill to produce products within tighter tolerances and to enhance their capabilities.
- Implementation of a steel ladle value in use model in Port Talbot to support decision making on optimal raw materials mix and reduce cost.
- Further progress towards the deployment of a model to improve the setup of all tandem cold mills in TSE.
- Modelling the wear lining quality of torpedo ladles to improve reliability and reduce cost.

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.
- X65_70 non sour HFI line pipe 20inch, to enable TSUKH to access the higher end of the oil and gas market through higher strength material.
- Colorcoat purlins to strengthen the supply chain for branded organic coated products by developing additional routes to market.

Post balance sheet events

- On 1 May 2017 TSUKH completed the sale of its Speciality Steels business to Liberty Steel (see Note 34).
- On 10 July 2017 TSE signed a business purchase agreement with Liberty Pipes (Hartlepool) Limited and Liberty House Group Pte. Limited to divest the business and assets of the 42" and 84" SAW mills at Hartlepool along with assumed liabilities. The sale is estimated to realise a loss of £3m in the TSE consolidated income statement

A5. Financial Review

£m	Before exceptional items	2016/17 Exceptional items (Note 3)	After exceptional items	Before exceptional items	Restated 2015/16 Exceptional Items (Note 3)	After exceptional items
Liquid steel production (mt)	10.6	-	10.6	11.1	-	11.1
Steel deliveries (mt)	9.9	-	9.9	11.0	-	11.0
Revenue	**5,931**	-	**5,931**	**5,462**	-	**5,462**
EBITDA	**557**	**(413)**	**144**	**(67)**	**954**	**887**
Depreciation and amortisation (net of grants)	192	-	192	242	-	242
Operating profit/(loss) before restructuring, impairment and disposals	**365**	**(413)**	**(48)**	**(309)**	**954**	**645**
Restructuring and impairment costs	(50)	-	(50)	(910)	-	(910)
Profit on disposals	2	-	2	3	-	3
Operating profit/(loss)	**317**	**(413)**	**(96)**	**(1,216)**	**954**	**(262)**
Net finance costs	(368)	-	(368)	(355)	-	(355)
Share of post-tax results of joint ventures and associates	6	-	6	1	-	1
Loss before taxation	**(45)**	**(413)**	**(458)**	**(1,570)**	**954**	**(616)**
Taxation (charge)/credit	(58)	-	(58)	20	-	20
Loss after taxation from continuing operations	**(103)**	**(413)**	**(516)**	**(1,550)**	**954**	**(596)**
Loss after taxation from discontinued operations	**(397)**	-	**(397)**	**(288)**	-	**(288)**
Loss after taxation	**(500)**	**(413)**	**(913)**	**(1,838)**	**954**	**(884)**

Profit and loss

Group revenue from continuing operations of £5,931m in 2016/17 was 9% higher than the previous year due to a 21% increase in average revenue per tonne caused by a recovery to EU steel selling prices and selling prices in TSUKH's UK operations benefiting from a depreciation of sterling following Brexit. These gains were partly offset by a 10% decrease to deliveries caused by lower liquid steel production and some despatch issues from TSUKH's UK operations following the launch of a new supply chain transformation programme.

Liquid steel production from continuing operations in 2016/17 at 10.6mt was 0.5mt lower than 2015/16 due mainly to restructuring measures implemented in the UK to reduce production levels to rationalise costs and focus on higher margin business.

The operating result before restructuring, impairment and disposals from continuing operations in 2016/17 was a loss of £48m but included an exceptional non-cash curtailment strain of £413m following the closure of the BSPS to future accrual on 31 March 2017. A strain arises as the assumed pension revaluation in deferment is higher than the pensionable earnings growth cap of 1.75% per annum introduced for active members on 31 July 2015. This compared to a profit of £645m in 2016/17 which included an exceptional non-cash past service credit of £897m in respect of benefit changes to the BSPS implemented on 31 July 2015 and a credit of £57m arising from the reclassification of the SPH from defined benefit to defined contribution (see Note 20). Excluding these exceptional pension items in both years the operating result before restructuring, impairment and disposals from continuing operations in 2016/17 was a profit of £365m, £674m better than the previous year. The improvement was due mainly to improved steel margins and the impact of restructuring the UK operations in the previous year in order to focus on higher margin products.

Excluding the pension items EBITDA increased from a loss of £67m in 2015/16 to a profit of £557m in 2016/17 due to the same factors. This equated to an EBITDA margin of 9.4% (2015/16: negative margin of 1.2%).

The operating result from continuing operations was a profit of £317m in 2016/17, £1,533m better than 2015/16. The result in the previous year included a significant charge of £910m for restructuring and impairment relating mainly to an impairment of assets in the UK. The restructuring and impairment charge of £50m in 2016/17 included further impairment charges against assets in mainly the UK (see Note 2). Profit on disposals of £2m (2015/16: £3m) in 2016/17 included the disposal of TSUKH's wholly owned subsidiary Kalzip (Guangzhou) Limited on 29 March 2017.

Net finance costs in 2016/17 of £368m were £13m higher than the previous year due to increased charges of £50m on increased intra-group borrowings (see Note 4) offset by lower charges of £19m on bank and other borrowings following an interest rate benefit arising from the expiration of interest rate swaps in the year and lower charges of £19m on working capital arrangements with Proco. The Group share of post-tax results of joint ventures and associates was a profit of £6m (2015/16: £1m) due to improved profitability in mainly Dutch based entities where TSUKH has a non-controlling interest.

Taxation from continuing operations was a net charge of £58m in 2016/17 (2015/16: credit £20m) due primarily to deferred tax charges of £80m recognised in the income statement to offset a net deferred tax credit in reserves relating to mainly BSPS actuarial losses, partly offset by a recognition of additional tax losses of £27m across the group for deferred tax purposes.

The loss after tax before exceptional items from continuing operations in 2016/17 was £103m, £1,447m better than 2015/16 due to a recovery to EU steel market conditions and the significant impairment charge recognised in the previous year.

The loss after taxation from discontinued operations in 2016/17 was £397m (2015/16: £288m) and included losses attributable to TSUKH's Long Products business which was divested on 31 May 2016 and Speciality business which was classified as held for sale at 31 March 2017 (see Note 6).

The Group loss after taxation and exceptional items in 2016/17 was £913m (2016/17: £884m).

Financing

The majority of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in October 2014. The SFA is secured by guarantees and debentures granted by material subsidiaries of TSUKH (other than TSN and its subsidiaries) and by a share pledge over the shares in TSN. The SFA has a financial covenant which sets an annual maximum capital expenditure level. 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).

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') which in turn has been lent to TSUKH .

Acquisitions and Disposals

On 31 May 2016 TSUKH completed the disposal of its Long Products business to Greybull Capital LLP.

On 8 July 2016 TSL announced that it had started discussions with several strategic partners, including ThyssenKrupp AG, about building a larger, world class and globally competitive strip steel business. Discussions are ongoing. TSL also announced on the same date that it had started a separate sale process for TSUKH's Speciality Steels business and its 42" and 84" Hartlepool pipe mills.

On 1 May 2017 TSUKH completed the disposal of its Speciality Steels business to Liberty Steels.

Cash flow

Net cash flow from operating activities in 2016/17 was an inflow of £228m (2015/16: outflow of £581m) due mainly to positive EBITDA of £557m (excluding non-cash exceptional pension items) and a net inflow of £398m from working capital financing arrangements with Proco. These inflows were partly offset by an increase of £424m to working capital levels caused by higher prices and increased steel inventory levels, interest payments of £214m and an operating cash outflow of £57m from discontinued operations.

The working capital/turnover ratio (excluding the impact of arrangements with TSL Group companies) increased to 12.7% at 31 March 2017 (31 March 2016: 10.3%) primarily driven by higher inventory levels.

Net cash flow used in investing activities was an outflow of £351m (2015/16: £273m) due mainly to capital expenditure of £318m (2015/16: £239m) and a cash inflow of £12m (2015/16: £nil) from the sale of subsidiaries. After a net cash inflow of £55m from financing activities (2015/16: inflow of £900m), this gave a net decrease in cash and cash equivalents of £235m (2015/16: increase of £46m).

Capital expenditure

Capital expenditure in 2016/17 at £351m (2015/16: £287m) included spend on a number of major capital projects in both the Netherlands and the UK. In the Netherlands these included in the Strip Products Mainland Europe business the replacement of Converter 21 and 22, and Caster Crane 25, the repair of the Blast Furnace 6 hot stoves and pre-engineering work on revamping Blast Furnace 6, and in the Packaging business the introduction of Protact® NG, a multi-layered polymer system that meets increasingly stringent food requirements. In addition, significant capital expenditure has been committed in the Netherlands to a 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. The main projects ongoing within the UK in 2016/17 included the installation of an automotive finishing line in the Strip Products UK business in Port Talbot, which is key to the strategic development of the UK's automotive full finish capability, and the installation of a vacuum induction melting furnace in the Speciality & Bar business in Stocksbridge for the production of high purity alloy steel ingots for the aerospace sector.

Balance sheet

TSUKH's consolidated net liabilities at 31 March 2017 were £3,139m (31 March 2016: net liabilities of £1,838m). The deterioration of £1,301m was due to the loss after taxation of £913m and other comprehensive losses of £388m caused mainly by actuarial losses on defined benefit pension and other post-retirement plans (see page 24).

Net debt at 31 March 2017 amounted to £5,402m (31 March 2016: £4,920m). Of the gross debt, approximately 58% related to borrowings from within the TSL Group (31 March 2016: 55%). Cash and short term deposits at 31 March 2017 amounted to £237m (31 March 2016: £286m). Further details on borrowings can be found in Note 18.

Financial risk management

TSUKH's financial risk management is based upon sound economic objectives and good corporate practice. The Group's main financial risks are related to the availability of funds to meet its business needs, and movements in interest rates, exchange rates and commodity costs. Derivative and other financial instruments are used to manage any exposures where considered appropriate. Further details of its financial risks, and the way the Group mitigates them, are set out in Note 23.

A6. Going concern

The Company and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement ('Proco') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the Company and the operations of the Company's material subsidiaries, including in the Netherlands and the UK, subject to certain restrictions which in respect of the Company's wholly owned subsidiary Tata Steel UK ('TSUK') includes agreement on a Regulated Apportionment Arrangement ('RAA') of the British Steel Pension Scheme ('BSPS'). The trading performance of the Group, including the UK, in FY 2016/17 has continued to require financial support from TSL. It is thought that this may well continue but at a much-reduced level during FY 2017/18, when the outlook is much improved.

Further very material evidence of continued TSL support is seen in the commitment of TSL affiliates to provide the required financing of c.£550m which will need to be paid by the Company's wholly owned subsidiary TSUK to achieve the RAA of the BSPS obligations of TSUK and the other BSPS employer entities. The completion of the RAA with relation to the BSPS, which was the subject of the TSL announcement on 16 May 2017, constitutes a material event for TSUK, and in its absence it is expected that there would be a very large BSPS funding deficit which could cast significant doubt about TSUK's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. Until the conclusion of the process, there continues to be a material uncertainty as to whether the BSPS restructuring will be completed.

For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that until the RAA process is concluded there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the directors of the Company have concluded that it is appropriate to prepare these financial statements on a going concern basis. However, if TSUK were not a going concern, then adjustments might be required to the consolidated financial statements (including to write-down fixed assets and to provide for any claims or obligations). However, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if TSUK was not a going concern as it is not practicable to identify or quantify them.

A7. Approval of Strategic Report

Section A of this Annual Report comprises a strategic report for the Group which has been prepared in accordance with, and in reliance upon, applicable English and Welsh company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by the law. It should be noted that the strategic report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiaries when viewed as a whole.

Approved by the Board of Directors and signed on behalf of the Board

S V Gidwani
Company Secretary
14 July 2017

B. Directors' Report

The Board

The directors of the Company who served throughout the period from 1 April 2016 to the date of this report (unless otherwise stated) were as follows:

N K Misra

D Dutta

Directors' indemnity

The Company's articles of association provide, subject to the provisions of UK legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Group (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors & Officers liability insurance.

Dividends

The directors do not recommend that a dividend be paid and no dividends were paid or proposed during the year (2015/16: nil).

Political donations

The Company does not make any donations to political parties and none were made during the year.

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

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

a) so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and

b) the directors have taken all the relevant steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

Deloitte LLP acted as auditor of the Company for the year ended 31 March 2017. It is the intention of the Directors to appoint PricewaterhouseCoopers LLP as auditor for the year ending 31 March 2018.

Company financial position

The Directors note that the Company balance sheet as at March 31st 2017 has moved into a net liability position of £2,179m. This is predominantly the result of a non-cash impairment charge of £4,278m against the carrying value of the Company's investments in subsidiary undertakings. The Company's net liabilities include £2,992m of sub-ordinated loans from its immediate parent company on which cash interest is not paid and is therefore similar in nature to equity. The Directors intend to request the immediate parent company to convert this non performing debt into equity in the near future, which would restore a net asset position.

Information provided in the Strategic report

In accordance with section 414C of the Companies Act 2006 the directors have chosen to disclose the following information in the Company's strategic report:

- Particulars of any events affecting the Company (or any of its subsidiary undertakings) which have occurred since the end of the financial year (see page 13)
- Factors likely to affect the Group's future development, performance and position (see page 10);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 10);
- Research & development activities (see page 12);
- Principal risks and uncertainties (see page 3);
- Business review (see page 9); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 16).

By order of the Board
S V Gidwani
Company Secretary
14 July 2017

C. Directors' responsibilities statement on consolidated financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with Financial Reporting Standard ('FRS') 101 *'Reduced Disclosure Framework'* and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *'Reduced Disclosure Framework'* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 *'Presentation of Financial Statements'* requires that directors:

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

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

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

We have audited the financial statements of Tata Steel UK Holdings Limited for the year ended 31 March 2017 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent Company balance sheets, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the presentation of the Group and Parent Company accounts and accounting policies and the related Notes 1 to 36. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *'Reduced Disclosure Framework'*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group and Parent Company financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 March 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – carrying value of assets and liabilities relating to TSUK

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made on page 17 of the Strategic Report and within the presentation of the Group and Parent Company accounts and accounting policies concerning the material uncertainty relating to the ongoing Regulated Apportionment Arrangement ('RAA') of the Company's wholly owned subsidiary Tata Steel UK Limited ('TSUK'). The completion of the RAA in relation to the British Steel Pension Scheme ('BSPS') constitutes a material event for TSUK, and in its absence it is expected that there would be a very large BSPS funding deficit which could cast significant doubt about TSUK's ability to continue as a going concern. These conditions, along with the other matters explained on page 17 of the Strategic Report and within the presentation of the Group and Parent Company accounts and accounting policies indicate the existence of a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The Directors have considered the position of TSUK, the company's arrangements with TSUK and the mitigating actions that could be taken and on this basis have concluded that it is appropriate

to prepare these financial statements on a going concern basis. However, if TSUK were not a going concern, then adjustments may be required to the consolidated financial statements (including to write down fixed assets and to provide for any claims and obligations). The financial statements do not include the adjustments that would result from TSUK not continuing as a going concern as it is not practical to identify or quantify them.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Christopher Powell (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 July 2017

E1. Consolidated income statement

For the financial year ended 31 March

		2017			2016		
		Before exceptional items	**Exceptional items (Note 3)**	**Total after exceptional items**	Before exceptional items	Exceptional items (Note 3)	Total after exceptional items
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**5,931**	**-**	**5,931**	5,462	-	5,462
Operating costs	1	**(5,614)**	**(413)**	**(6,027)**	(6,678)	954	(5,724)
Operating profit/(loss)		**317**	**(413)**	**(96)**	(1,216)	954	(262)
Finance costs	4	**(372)**	**-**	**(372)**	(356)	-	(356)
Finance income	4	**4**	**-**	**4**	1	-	1
Share of post-tax results of joint ventures and associates	10 (iv)	**6**	**-**	**6**	1	-	1
Loss before taxation		**(45)**	**(413)**	**(458)**	(1,570)	954	(616)
Taxation (charge)/credit	5	**(58)**	**-**	**(58)**	20	-	20
Loss after taxation from continuing operations		**(103)**	**(413)**	**(516)**	(1,550)	954	(596)
Loss after taxation from discontinued operations	6	**(397)**	**-**	**(397)**	(288)	-	(288)
Loss after taxation		**(500)**	**(413)**	**(913)**	(1,838)	954	(884)
Attributable to:							
Owners of the Company				**(913)**			(884)

All references to 2017 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 36 refer to the financial period ended 31 March 2017 or as at 31 March 2017 as appropriate (2016: the financial period ended 31 March 2016 or as at 31 March 2016).

Notes and related statements forming part of these accounts appear on pages 36 to 80.

E2. Statement of comprehensive income

For the financial year ended 31 March

	Note	2017 £m	2016 £m
Loss after taxation		**(913)**	(884)
Continuing operations:			
Items that will not be reclassified subsequently to the income statement:			
Actuarial (losses)/gains on defined benefit pension and other post-retirement plans	20	**(467)**	204
Income tax relating to items that will not be reclassified		**80**	(34)
Items that may be reclassified subsequently to the income statement:			
Available for sale investments	11	**(1)**	2
Gains arising on cash flow hedges	23	**16**	12
Income tax relating to items that may be reclassified	23	**(5)**	(1)
Foreign exchange on currency net investments		**(15)**	(38)
Foreign exchange recycled to income statement on disposal of Group company	32	**2**	-
Foreign exchange recycled to income statement on disposal of assets held for sale	17	**-**	(2)
Discontinued operations:			
Items that may be reclassified subsequently to the income statement:			
Foreign exchange on currency net investments		**(1)**	4
Foreign exchange recycled to income statement on disposal of Group company	32	**3**	-
Other comprehensive (loss)/income for the year net of tax		**(388)**	147
Total comprehensive loss for the year		**(1,301)**	(737)
Attributable to:			
Owners of the Company		**(1,301)**	(737)

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 allowing it not to present its own statement of comprehensive income.

Notes and related statements forming part of these accounts appear on pages 36 to 80.

E3. Balance sheets

As at 31 March		Group		Company	
		2017	2016	2017	2016
	Note	£m	£m	£m	£m
Non-current assets					
Goodwill	7	**405**	405	**-**	-
Other intangible assets	8	**92**	83	**-**	-
Property, plant and equipment	9	**1,970**	1,852	**-**	-
Equity accounted investments	10	**34**	29	**-**	-
Investments in subsidiary and fellow group undertakings	10	**-**	-	**1,311**	4,907
Other investments	11	**45**	51	**-**	-
Retirement benefit assets	20	**216**	1,206	**-**	-
Deferred tax assets	12	**88**	59	**-**	-
		2,850	3,685	**1,311**	4,907
Current assets					
Inventories	13	**1,453**	1,190	**-**	-
Trade and other receivables	14	**899**	949	**35**	330
Current tax assets	15	**3**	4	**-**	-
Short-term investments	16	**5**	1	**-**	-
Cash and short-term deposits	16	**237**	286	**-**	-
Assets classified as held for sale	17	**110**	2	**-**	-
		2,707	2,432	**35**	330
TOTAL ASSETS		**5,557**	6,117	**1,346**	5,237
Current liabilities					
External borrowings	18	**(613)**	(714)	**(1)**	(1)
Trade and other payables	19	**(2,519)**	(2,136)	**(37)**	(32)
Current tax liabilities	15	**(9)**	(6)	**-**	-
Retirement benefit obligations	20	**(3)**	(5)	**-**	-
Short-term provisions and other liabilities	21	**(66)**	(144)	**-**	-
Liabilities classified as held for sale	17	**(36)**	-	**-**	-
		(3,246)	(3,005)	**(38)**	(33)
Non-current liabilities					
Inter-group borrowings	18	**(3,121)**	(2,716)	**(2,992)**	(2,597)
External borrowings	18	**(1,906)**	(1,766)	**-**	-
Deferred tax liabilities	12	**(1)**	(1)	**-**	-
Retirement benefit obligations	20	**(131)**	(164)	**-**	-
Provisions and other liabilities	21	**(257)**	(255)	**-**	-
Other non-current liabilities	22	**(20)**	(32)	**(495)**	(463)
Deferred income	24	**(14)**	(16)	**-**	-
		(5,450)	(4,950)	**(3,487)**	(3,060)
TOTAL LIABILITIES		**(8,696)**	(7,955)	**(3,525)**	(3,093)
NET (LIABILITIES)/ASSETS		**(3,139)**	(1,838)	**(2,179)**	2,144
Equity					
Called up share capital	25	**3,497**	3,497	**3,497**	3,497
Share premium		**450**	450	**450**	450
Accumulated deficit		**(7,381)**	(6,081)	**(6,126)**	(1,803)
Other components of equity		**295**	296	**-**	-
Equity attributable to owners of the Company		**(3,139)**	(1,838)	**(2,179)**	2,144
Non-controlling interests		**-**	-	**-**	-
TOTAL EQUITY		**(3,139)**	(1,838)	**(2,179)**	2,144

The Company recorded a loss of £4,323m (2016: loss of £463m) and has taken advantage of the exemption under section 408 of the Companies Act 2006 allowing it not to present its own income statement.

For further information on the Company's net liability position, please refer to page 19.

Approved and authorised for issue by the Board and signed on its behalf by:

N K Misra
Executive Director, Finance
14 July 2017
Tata Steel UK Holdings Limited
Registered No: 05887351

E4. Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Accumulated deficit £m	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 31 March 2015	**3,497**	**450**	**(5,367)**	**(13)**	**335**	**(3)**	**(1,101)**	**-**	**(1,101)**
Loss for the year	-	-	(884)	-	-	-	**(884)**	-	**(884)**
Other comprehensive (loss)/income for the year	-	-	170	11	(36)	2	**147**	-	**147**
Total comprehensive (loss)/income for the year	-	-	(714)	11	(36)	2	**(737)**	-	**(737)**
Balance as at 31 March 2016	**3,497**	**450**	**(6,081)**	**(2)**	**299**	**(1)**	**(1,838)**	**-**	**(1,838)**
Loss for the year	-	-	(913)	-	-	-	**(913)**	-	**(913)**
Other comprehensive income/(loss) for the year	-	-	(387)	11	(11)	(1)	**(388)**	-	**(388)**
Total comprehensive (loss)/income for the year	-	-	(1,300)	11	(11)	(1)	**(1,301)**	-	**(1,301)**
Balance as at 31 March 2017	**3,497**	**450**	**(7,381)**	**9**	**288**	**(2)**	**(3,139)**	**-**	**(3,139)**

Notes and related statements forming part of these accounts appear on pages 36 to 80.

E5. Consolidated statement of cash flows

For the financial year ended 31 March

	Note	2017 £m	2016 £m
Operating activities			
Cash from/(used) in operations	29	**446**	(316)
Interest paid		**(209)**	(253)
Interest element of finance lease rental payments		**(5)**	(6)
UK corporation tax		**(2)**	(2)
Overseas taxation		**(2)**	(4)
Net cash flow from/(used) in operating activities		**228**	(581)
Investing activities			
Purchase of property, plant and equipment		**(351)**	(287)
Sale of property, plant and equipment		**4**	13
Purchase of other intangible assets		**(23)**	(17)
Sale of other fixed asset investments		**5**	4
Sale of businesses and subsidiary undertakings	32	**12**	-
Sale of investments in joint ventures	10	**1**	19
Dividends from joint ventures and associates	10	**3**	2
Interest received		**1**	-
Loans to external parties		**-**	(6)
Loans repaid by external parties		**-**	2
Cash placed on deposit		**(3)**	-
Acquisition of assets and subsidiaries		**-**	(3)
Net cash flow used in investing activities		**(351)**	(273)
Financing activities			
New loans (including drawdowns of revolving credit facility)		**182**	912
Repayment of borrowings (including repayments of revolving credit facility)		**(116)**	-
Capital element of finance lease rental payments		**(11)**	(12)
Net cash flow from financing activities		**55**	900
(Decrease)/increase in cash and cash equivalents	31	**(68)**	46
Cash and cash equivalents at beginning of period	31	**284**	218
Effect of foreign exchange rate changes	31	**19**	20
Cash and cash equivalents at end of period	**31**	**235**	284
Cash and cash equivalents consist of:			
Cash and short-term deposits	16	**237**	286
Bank overdrafts	18	**(2)**	(2)
		235	284

Notes and related statements forming part of these accounts appear on pages 36 to 80.

E6. Presentation of accounts and accounting policies

I Basis of preparation

TSUKH is a private limited company incorporated in the United Kingdom under the Companies Act 2006. 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 functional and presentational currency of the Company and the presentational currency of the Group is sterling. The Group has prepared its Report & Accounts in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ('IASB').

TSUKH meets the definition of a qualifying entity under FRS 100 *'Application of Financial Reporting Requirements'* issued by the Financial Reporting Council. As such the Company's financial statements have been prepared in accordance with FRS 101 *'Reduced Disclosure Framework'* ('FRS 101').

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been included as part of the Group consolidated financial statements.

The financial statements for the 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 Company and its subsidiaries are financed in part through the Senior Facilities Agreement and other long term loans introduced by the parent from time to time and in part through working capital support provided by Tata Steel Global Procurement ('Proco') a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the Company and the operations of the Company's material subsidiaries, including in the Netherlands and the UK, subject to certain restrictions. The trading performance of the Group, including the UK, in FY 2016/17 has continued to require financial support from TSL. It is thought that this may well continue but at a much-reduced level during FY 2017/18, when the outlook is much improved.

Further very material evidence of continued TSL support is seen in the commitment of TSL affiliates to provide the required financing of c.£550m which will need to be paid by the Company's wholly owned subsidiary TSUK to achieve the RAA of the BSPS obligations of TSUK and the other BSPS employer entities. The completion of the RAA with relation to the BSPS, which was the subject of the TSL announcement on 16 May 2017, constitutes a material event for the company, and in its absence it is expected that there would be a very large BSPS deficit which could cast significant doubt about TSUK's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. Until the conclusion of the process, there continues to be a material uncertainty as to whether the BSPS restructuring will be completed.

For these reasons, while the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that until the RAA process is concluded there exists a material uncertainty which may cast significant doubt about TSUK's ability to continue as a going concern. The Company has considered the position of TSUK, its arrangements with TSUK and the mitigating actions that could be taken and on this basis the Directors of the Company have concluded that it is appropriate to prepare these financial statements on a going concern basis. However, if TSUK were not a going concern, then adjustments might be required to the consolidated financial statements (including to write down fixed assets and to provide for any claims or obligations). However, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if TSUK was not a going concern as is it not practicable to identify or quantify them.

II 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 material impact on the TSUKH 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.

III 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 EU 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 TSUKH 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 recognise 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 TSUKH 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 the 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 and expects there to be a material increase to the assets and liabilities recognised in the TSUKH financial statements, as well as the corresponding impact of the classification on the income statement, once the new Standard is adopted.

The Company does not expect the remaining new or amended Standards to have any material impact on the TSUKH financial statements.

IV Use of estimates and critical accounting judgements

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

(i) reported amounts of assets and liabilities;

(ii) disclosure of contingent assets and liabilities at the date of the accounts;

(iii) reported amounts of income and expenses during the period;

Critical accounting judgements and the key sources of estimation or uncertainty in applying the Group's accounting policies arise in relation to the basis of preparation (see page 28), impairment of property, plant and equipment and goodwill, assets held for sale and discontinued operations, the recognition of deferred tax assets, retirement benefits, provisions created for rationalisation and related costs, environmental remediation, legal claims and employee benefits. Within the parent company accounts then the critical accounting judgement and key source of estimation uncertainty is in respect of impairment of the Group's investments. 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 (including goodwill). 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. In respect of impairment of investments in the parent company accounts

then judgement is required around the relevant enterprise value of the Tata Steel Europe Group.

The recognition of non-current assets (or disposal groups) as held for sale is dependent upon whether its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Significant judgement is required to assess whether the sale of the assets (or disposal group) is highly probable. Speciality Steels has been recognised as a disposal group as at 31 March 2017 following the signing of a definitive sales agreement on 9 February 2017. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. Judgement is required to assess whether the component represents a separate major line of business or geographical area of operation, and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation. Long Products Europe and Speciality Steels have been classified as discontinued operations during the March 2017 financial year following a coordinated plan to dispose of these businesses which do not form part of the Group's core Strip Products business. Further information can be found in note 17.

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 12.

The Group's retirement benefit obligations are subject to a number of judgements including discount rates, 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. The Group's main defined benefit scheme, being BSPS in the UK, is in a net surplus position at the balance sheet date on an IAS 19 basis. The surplus in the BSPS is not immediately realisable. The final amount realised may differ from the amount recognised in the balance sheet. Further details on the Group's retirement benefit obligations, including a sensitivity analysis of key judgements are included within note 20.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation, legal claims 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 those costs. Further details on the Group's redundancy and rationalisation provisions can be found in note 2 and in note 21.

Judgement has been exercised by the Company when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Further information surrounding exceptional items can be found in note 3.

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

V Critical accounting policies

(a) Property, plant and equipment

Property, plant and equipment is recorded at fair value on acquisition less accumulated depreciation and any recognised impairment loss. 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) Non-current assets and disposal groups 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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. An impairment loss is recognised for any initial or subsequent write-down of a disposal group to fair value less costs to sell.

Where a disposal group represents a separate major line of business or geographical area of operation, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, 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.

Where intercompany transactions have occurred between continuing and discontinued operations, these have been eliminated against discontinued operations except for interest costs on intercompany financing arrangements that will not continue after disposal which have been eliminated against continuing operations.

(d) 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.

(e) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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, or if not already vested is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit asset or 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.

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined pension scheme, the BSPS. This provides additional clarity on the role of trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. Based on the BSPS scheme rules as at 31 March 2017 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(f) 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.

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

VI 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 the income statement 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 income statement at the end of the reporting period are included in the balance sheet as deferred income.

(e) Insurance
Certain aspects of the Group's insurances are handled by its captive insurance company, Crucible Insurance Company Limited, which accounts for all insurance business on an annual basis and the net consolidated result is dealt with as part of the operating costs in these accounts. Insurance premiums in respect of insurance placed with third parties and reinsurance premiums in respect of risks not retained by the Group's captive insurance company are charged to profit and loss 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. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

(g) Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the end of each reporting period. Income statement items and cash flows are translated into sterling 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 disposal 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 acquisition.

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 and general economic conditions, and credit insurance. 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 income statement.

(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, forward rate agreements, interest rate swaps 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. Contracts do not generally extend beyond 6 months, except for certain interest rate swaps and 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, interest rate swaps 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, interest rate 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 V (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 TSUKH 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 V(c) above).

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) 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.

(m) 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.

For the financial year ended 31 March

1. Operating costs

	2017 £m	2016 £m
Costs by type:		
Raw materials and consumables	**2,860**	2,665
Maintenance costs (excluding own labour)	**443**	436
Other external charges (including fuels & utilities, hire charges and carriage costs)	**855**	899
Employment costs (Note 3)	**1,682**	388
Depreciation, amortisation and impairments (Notes 8 and 9)	**237**	1,013
Regional development and other grants relating to property, plant and equipment released (Note 24)	**(2)**	(1)
Other operating items (including rents, rates, insurance and general expenses)	**287**	212
Changes in inventory of finished goods and work in progress	**(303)**	139
Own work capitalised	**(30)**	(24)
Profit on disposal of property, plant and equipment	**-**	(3)
Profit on disposal of group company (Note 32)	**(2)**	-
	6,027	5,724

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Exceptional items £m	**Total £m**
The above costs in 2017 include:				
Raw materials and consumables	2,860	-	-	**2,860**
Maintenance costs (excluding own labour)	443	-	-	**443**
Other external charges (including fuels & utilities, hire charges and carriage costs)	855	-	-	**855**
Employment costs (Note 3)	1,263	6	413	**1,682**
Depreciation, amortisation and impairments (Notes 8 and 9)	194	43	-	**237**
Regional development and other grants relating to property, plant and equipment released (Note 24)	(2)	-	-	**(2)**
Other operating items (including rents, rates, insurance and general expenses)	286	1	-	**287**
Changes in inventory of finished goods and work in progress	(303)	-	-	**(303)**
Own work capitalised	(30)	-	-	**(30)**
Profit on disposal of group company (Note 32)	-	(2)	-	**(2)**
	5,566	48	413	**6,027**

Further analysis of restructuring and impairment costs is presented in Note 2.

	2017 £m	2016 £m
The above costs are stated after including:		
Impairment losses related to amortisation of intangible fixed assets (Note 8)	**-**	52
Amortisation of other intangible assets (Note 8)	**17**	19
Depreciation of owned assets (Note 9)	**172**	218
Impairment losses related to property, plant and equipment (Note 9)	**43**	718
Depreciation of assets held under finance leases (Note 9)	**5**	6
Net exchange rate (gains)/losses	**(21)**	14
Operating leases:		
Plant and machinery	**22**	26
Leasehold property	**34**	32
Costs of research and development (gross)	**61**	59
Recoveries on research and development	**(5)**	(4)
Release of grants relating to revenue (Note 24)	**(2)**	(2)
Impairments against trade receivables (Note 14 (ii))	**2**	1

The analysis of the Group auditor's remuneration is as follows:

	2017 £m	2016 £m
Fees payable to the Group's auditor and their associates for the audit of the Group	**2.1**	2.0
Audit-related assurance services	**0.8**	0.8
Taxation services	**0.4**	0.4
Total non-audit fees	**1.2**	1.2
Total Group auditor's remuneration	**3.3**	3.2

Fees payable in respect of the audit of the Company were £10,900 (2016: £10,900). Fees payable for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees payable in respect of audit-related assurance services of £0.8m (2016: £0.8m) primarily relate to quarterly review audits undertaken by the Group's auditor.

2. Net restructuring and impairment costs

	2017 £m	2016 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 21)	**8**	32
Pension curtailment costs (Note 20)	**1**	112
Impairment losses related to property, plant and equipment (Note 9)	**43**	718
Impairment losses related to intangible fixed assets (Note 8)	**-**	52
Other rationalisation costs	**2**	2
	54	916
Credits for restructuring and related measures:		
Redundancy and related costs (Note 21)	**(3)**	-
Other rationalisation costs	**(1)**	(6)
	(4)	(6)
Total net restructuring and impairment costs	**50**	910

The provision for redundancy and related costs of £8m in 2017 related to restructuring measures in mainly UK units including Strip Products UK and the Group's corporate functions, with the credit for redundancy and related costs of £3m relating mainly to a re-assessment of provisions previously recognised.

The provision for redundancy and related costs of £32m in 2016 related to restructuring measures in mainly UK units including Strip Products UK and the Group's corporate functions. The pension curtailment costs of £112m in 2016 related to the impact on the BSPS of the restructuring measures announced in the UK in 2016.

3. Employees

	2017 £m	2016 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**1,012**	944
Social security costs	**130**	113
Other pension costs (Note 20)	**121**	141
Exceptional pension items	**413**	(954)
Redundancy and related costs (Note 2)	**6**	144
	1,682	388

(i) The average number of employees during the year for continuing operations was 21,100 (2016: 22,300).

Due to the infrequency of the event, current year exceptional items includes a non-cash curtailment strain of £413m arising from the closure of the BSPS pension scheme to future accrual on 31 March 2017. Prior year exceptional items included a non-cash past service credit of £897m in respect of changes to the BSPS pension scheme implemented on 31 July 2015 and a credit of £57m arising from the reclassification of the SPH pension scheme from defined benefit to defined contribution. For further details see Note 20.

(ii) Directors' remuneration

The emoluments of Mr D Dutta are paid by other companies within the Tata Steel Group which make no recharge to TSUKH.

Mr N K Misra is a director of TSE and a number of fellow subsidiaries. It is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. Accordingly, his emoluments are disclosed in the aggregate of the directors emoluments in the financial statements of TSE with whom he has his primary contract.

(iii) Other pension costs can be further analysed as follows:

	2017 £m	2016 £m
Other defined benefit scheme costs (Note 20)	**50**	94
Other defined contribution scheme costs (Note 20)	**71**	47
	121	141

4. Financing items

	2017 £m	2016 £m
Interest expense:		
Bank and other borrowings	**100**	119
Finance leases	**4**	4
Interest on loans from immediate parent company (Note 33)	**153**	102
Interest on loans from parent undertakings (Note 33)	**9**	14
Interest on loans from other Group companies (Note 33)	**47**	46
Discount on disposal of trade receivables within purchase agreement with Group company (Note 33)	**59**	76
Amounts included in the cost of qualifying assets (Note 9 (iv))	**-**	(5)
Finance costs	**372**	356
Interest income:		
Cash and short-term deposits and short-term investments	**(4)**	(1)
Finance income	**(4)**	(1)
	368	355

5. Taxation

	2017 £m	2016 £m
Overseas current year charge/(credit)	**5**	(10)
UK prior year charge	**5**	-
Overseas prior year credit	**(5)**	(2)
Current tax charge/(credit)	**5**	(12)
UK deferred tax	**80**	(10)
Overseas deferred tax	**(27)**	2
	58	(20)

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

	2017 £m	2016 £m
Loss before taxation	**(458)**	(616)
Loss multiplied by the applicable corporation tax rate of 18.89% (2016: 21.13%)	**(86)**	(131)
Effects of:		
Impact of tax rate change	**-**	1
Adjustments to current tax in respect of prior periods	**-**	(1)
Utilisation of tax losses not previously recognised	**(3)**	(2)
Tax losses not recognised	**138**	114
Other permanent differences	**9**	(1)
	58	(20)

The applicable corporation tax rate is the average tax rate weighted in proportion to the accounting profits earned in each geographical area. The decrease in the rate is caused by a change in the profitability and statutory tax rates in the various geographical areas.

In addition to the total taxation recognised in the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £m	2016 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	**(80)**	34
Revaluation of financial instruments treated as cash flow hedges	**5**	1
	(75)	35

6. Discontinued operations

On 31 May 2016, the Group disposed of the trade and assets of its Long Products Europe business to Greybull Capital LLP.

On 9 February 2017, the Group announced a definitive sales agreement to dispose of the trade and assets of its Speciality Steels business. The disposal was completed on 1 May 2017.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', these businesses have been classified as discontinued operations. The results of the discontinued operations in each of the periods are set out below:

		2017 **£m**	2016 £m
Revenue		**355**	1,300
Operating costs	(i), (ii), (iii)	**(502)**	(1,580)
Operating loss		**(147)**	(280)
Finance costs		**-**	(2)
Loss before taxation		**(147)**	(282)
Taxation charge	(iv)	**(1)**	(6)
Loss after taxation		**(148)**	(288)
Loss recognised on the measurement to fair value less cost to sell		**(22)**	-
Loss from disposal of discontinued operations		**(227)**	-
Loss after taxation from discontinued operations		**(397)**	(288)

An impairment charge of £22m was incurred when the assets and liabilities of the Speciality Steels business were transferred to held for sale (Note 17).

A loss of £227m arose on the disposal of Long Products Europe, being the difference between the fair value of consideration received and the carrying amount of the net assets of the disposal group as at 31 May 2016 (Note 32).

A gain of £2m was recognised in other comprehensive income during the year (2016: £4m) (Note 32).

(i) Operating costs

	2017 **£m**	2016 £m
Costs by type:		
Raw materials and consumables	**132**	437
Maintenance costs (excluding own labour)	**36**	146
Other external charges (including fuels & utilities, hire charges and carriage costs)	**79**	344
Employment costs	**111**	377
Depreciation and amortisation	**99**	71
Other operating items (including rents, rates, insurance and general expenses)	**52**	141
Changes in inventory of finished goods and work in progress	**(7)**	64
	502	1,580

	2017 £m	2016 £m
The above costs are stated after including:		
Impairment losses related to amortisation of intangible fixed assets (Note 8)	**-**	9
Amortisation of other intangible assets (Note 8)	**-**	1
Depreciation of owned assets (Note 9)	**8**	14
Impairment losses related to property, plant and equipment (Note 9)	**91**	47
Net exchange rate (gains)/losses	**(1)**	2
Operating leases:		
Plant and machinery	**4**	10
Leasehold property	**2**	3
Costs of research and development	**(2)**	(5)
Impairments against trade receivables (Note 14(ii))	**1**	4

(ii) Net restructuring and impairment costs

	2017 £m	2016 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 21)	**2**	43
Impairment losses related to property, plant and equipment (Note 9)	**91**	47
Impairment losses related to intangible fixed assets (Note 8)	**-**	9
Other rationalisation costs	**1**	11
	94	110
Credits for restructuring and related measures:		
Redundancy and related costs (Note 21)	**(1)**	-
Other rationalisation costs	**-**	(2)
	(1)	(2)
	93	108

The provision for redundancy and related costs of £43m in 2016 related to restructuring measures announced in 2016 for both Long Products Europe and the Speciality Steels business.

(iii) Employees

	2017 £m	2016 £m
The total employment costs were:		
Wages and salaries	**89**	272
Social security costs	**10**	28
Other pension costs	**11**	34
Net redundancy and related costs	**1**	43
	111	377

The average number of employees during the year within discontinued operations was 2,500 (2016: 7,500)

(iv) The tax charge in the current year of £1m relates to deferred tax. The prior year charge of £6m can be further analysed into a credit of £1m relating to deferred tax and a charge of £7m relating to current tax.

(v) During the year discontinued operations resulted in an outflow of £57m (2016: £128m) to the Group's net operating cash flows, an outflow of £12m (2016: £54m) in respect of investing activities and an outflow of £nil (2016: £2m) in respect of financing activities. These movements decrease cash and cash equivalents by £69m (2016: £184m).

7. Goodwill

As at 31 March	2017 £m	2016 £m
Net book value	**405**	405

The total net book value predominantly relates to the goodwill that arose on the acquisition of Corus Group PLC ('Corus') and has been tested against the recoverable amount of the Strip Products Mainland Europe CGU. This goodwill related to expected synergies from combining Corus' activities with those of TSL and to assets, which could not be recognised as separately identifiable intangible assets. Goodwill acquired through this and other acquisitions is tested annually for impairment or more frequently if there are any indications that goodwill may be impaired.

The recoverable amount of the Strip Products Mainland Europe CGU 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, exchange rates, and a discount rate of 7.8% (2016: 7.4%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets. 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 for the Strip Products Mainland Europe CGU resulted in no impairment of goodwill (2016: £nil). The directors 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

Group:

2017	Computer software £m	Development costs £m	Patents and trademarks £m	Total £m
Cost as at 1 April 2016	241	56	-	**297**
Additions	23	-	-	**23**
Disposals	(2)	(29)	-	**(31)**
Exchange rate movements	2	5	-	**7**
Transfer to assets held for sale	(1)	-	-	**(1)**
Cost as at 31 March 2017	263	32	-	**295**
Amortisation as at 1 April 2016	173	41	-	**214**
Charge for the period – continuing operations	12	5	-	**17**
Amortisation on disposals	(2)	(29)	-	**(31)**
Exchange rate movements	1	3	-	**4**
Transfer to assets held for sale	(1)	-	-	**(1)**
Amortisation as at 31 March 2017	183	20	-	**203**
Net book value as at 31 March 2017	80	12	-	**92**

Group:

2016	Computer software £m	Development costs £m	Patents and trademarks £m	Total £m
Cost as at 1 April 2015	224	51	1	276
Additions	14	3	-	17
Disposals	(1)	-	(1)	(2)
Exchange rate movements	1	5	-	6
Change in classification	3	(3)	-	-
Cost as at 31 March 2016	241	56	-	297
Amortisation as at 1 April 2015	98	34	-	132
Charge for the period – continuing operations	13	5	1	19
Charge for the period – discontinued operations	1	-	-	1
Impairment losses recognised during the period - continuing operations (Note 2)	52	-	-	52
Impairment losses recognised during the period - discontinued operations (Note 6)	9	-	-	9
Amortisation on disposals	(1)	-	(1)	(2)
Exchange rate movements	1	2	-	3
Amortisation as at 31 March 2016	173	41	-	214
Net book value as at 31 March 2016	68	15	-	83

The remaining amortisation period for computer software is approximately 6.7 years (2016: 4.9 years).

The Group recognised no impairment charge in the year against intangible fixed assets. The charge in 2016 included £52m against computer software costs previously capitalised for the UK part of the Supply Chain Transformation (SCT) programme within continuing operations and £9m related to discontinued operations.

9. Property, plant and equipment

2017	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2016	954	5,012	312	398	**6,676**
Additions	3	21	33	329	**386**
Disposals	(4)	(36)	(35)	-	**(75)**
Disposal of group undertakings	(237)	(1,386)	(112)	(49)	**(1,784)**
Exchange rate movements	55	225	8	22	**310**
Transfers to assets held for sale	(56)	(431)	(18)	(8)	**(513)**
Transfers	9	167	3	(177)	**2**
Cost or valuation as at 31 March 2017	724	3,572	191	515	**5,002**
Depreciation as at 1 April 2016	519	4,085	257	68	**4,929**
Charge for the period – continuing operations	16	140	21	-	**177**
Charge for the period – discontinued operations	-	6	2	-	**8**
Impairment losses recognised during the period – continuing operations	4	17	5	17	**43**
Impairment losses recognised during the period – discontinued operations	14	51	8	11	**84**
Disposals	(3)	(35)	(33)	-	**(71)**
Disposal of group undertakings	(229)	(1,344)	(101)	(48)	**(1,722)**
Exchange rate movements	27	158	4	1	**190**
Transfer to assets held for sale	(56)	(431)	(18)	(8)	**(513)**
Transfers	-	2	-	(2)	**-**
Depreciation as at 31 March 2017	292	2,649	145	39	**3,125**
Net book value as at 31 March 2017	432	923	46	476	**1,877**
Spares (net book value)					**93**
Net book value as at 31 March 2017					**1,970**

2016	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2015	907	4,689	282	298	6,176
Additions	4	34	48	215	301
Disposals	(9)	(44)	(25)	-	(78)
Exchange rate movements	45	208	7	17	277
Transfers	7	125	-	(132)	-
Cost or valuation as at 31 March 2016	954	5,012	312	398	6,676
Depreciation as at 1 April 2015	450	3,199	198	66	3,913
Charge for the period – continuing operations	46	155	23	-	224
Charge for the period – discontinued operations	1	9	4	-	14
Impairment losses recognised during the period – continuing operations	2	589	45	4	640
Impairment losses recognised during the period – discontinued operations	-	12	7	24	43
Disposals	(4)	(44)	(24)	-	(72)
Exchange rate movements	23	139	4	1	167
Transfers	1	26	-	(27)	-
Depreciation as at 31 March 2016	519	4,085	257	68	4,929
Net book value as at 31 March 2016	435	927	55	330	1,747
Spares (net book value)					105
Net book value as at 31 March 2016					1,852

The Group recognised an impairment charge of £134m in the current year (2016: £765m) against property, plant and equipment, with £7m of this impairment charge being allocated against spares (2016: £82m). Of the impairment allocated against spares, £nil (2016: £78m) related to continuing operations and £7m (2016: £4m) related to discontinued operations.

Consistent with the annual test for impairment of goodwill as at 31 March 2017 (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 CGUs against which property, plant and equipment is allocated, using a discount rate of 7.8% (2016: 7.4%), was lower than its carrying value. Accordingly, an impairment charge of £134m was recognised in the year mainly related to CGUs which form part of discontinued operations including £87m (2016: £14m) relating to Speciality Steels and £4m (2016: £44m) relating to the UK Long Products business. Impairments were also recognised in CGUs that form part of continuing operations including Packaging UK £9m (2016: £14m), Strip Products UK £5m (2016: £677m), and mainly in a number of other smaller downstream businesses £29m (2016: £16m).

The Group has conducted sensitivity analysis on the impairment tests of the carrying value of the Group's cash generating units (CGUs) and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations (see Note 7) would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the remaining property, plant and equipment at the Strip Products UK business which had a carrying value at 31 March 2017 of £172m. At this site the value in use is dependent on sustaining the improvement to UK steel market margins and the implementation of a business transformation plan. A reasonably possible change in any of these key assumptions would increase the likelihood of impairment losses in the future.

Spares are shown at net book value. Due to the substantial number of items involved, and the many variations in their estimated useful lives, it is impracticable to give the details of movements normally disclosed in respect of property, plant and equipment.

(i)

As at 31 March	2017 £m	2016 £m
The net book value of land and buildings comprises:		
Freehold	**393**	396
Long leasehold (over 50 years unexpired)	**12**	13
Short leasehold	**27**	26
	432	435
Which may be further analysed as:		
Assets held under finance leases:		
Cost	**46**	45
Accumulated depreciation	**(24)**	(21)
	22	24
Owned assets	**410**	411
	432	435

(ii)

As at 31 March	2017 £m	2016 £m
The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**157**	189
Accumulated depreciation and impairment losses	**(134)**	(168)
	23	21
Owned assets	**900**	906
	923	927

(iii)

As at 31 March	2017 £m	2016 £m
The net book value of spares comprises:		
Cost	**423**	572
Accumulated depreciation and impairment losses	**(330)**	(467)
	93	105

(iv) There was £nil (2016: £5m) of borrowing costs capitalised in the period using a capitalisation rate of nil (2016: 1.0%).

10. Equity accounted investments

Group:

As at 31 March	Interests in joint ventures £m	Investments in associates £m	2017 Total £m	2016 Total £m
Cost				
At beginning of period	18	9	**27**	36
Disposals	-	-	**-**	(7)
Exchange rate movements	1	1	**2**	2
Transfers to assets held for sale	-	-	**-**	(4)
At end of period	19	10	**29**	27
Post acquisition reserves				
Share at beginning of period	2	5	**7**	5
Share of retained results in the period	2	1	**3**	-
Disposals	-	-	**-**	(1)
Exchange rate movements	-	-	**-**	1
Transfers to assets held for sale	-	-	**-**	2
Share at end of period	4	6	**10**	7
Cost at end of period	23	16	**39**	34
Cost at beginning of period	20	14	**34**	41
Provision				
Provision at beginning of period	5	-	**5**	3
Charge for the period	-	-	**-**	3
Transfer to assets held for sale	-	-	**-**	(1)
Provision at end of period	5	-	**5**	5
Net book value at end of period	18	16	**34**	29
Net book value at beginning of period	15	14	**29**	38

(i) The Group's equity accounted investments are listed in Note 36.

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

As at 31 March	2017 £m	2016 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	**32**	37
Current assets	**37**	32
Current liabilities	**(30)**	(28)
Non-current liabilities	**(21)**	(21)
Group's share of net assets	**18**	20
Share of the revenue and expenses of the Group's joint ventures:		
Revenue	**76**	87
Expenses	**(73)**	(87)
Group's share of joint ventures' profit for the period after taxation	**3**	-
Dividends received	**(1)**	(1)
Group's share of retained results in the period	**2**	(1)

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

As at 31 March	2017 £m	2016 £m
Summarised balance sheet information:		
Total assets	**77**	66
Total liabilities	**(25)**	(22)
Net assets	**52**	44
Group's share of net assets	**16**	14
Summarised income statement information:		
Revenue	**225**	190
Profit for the period	**10**	6
Group's share of associate's profit for the period after taxation	**3**	2
Dividends received	**(2)**	(1)
Group's share of retained results in the period	**1**	1

(iv) 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	**3**	2
	6	2
Profit on disposal of Danieli Corus Technical Services BV previously classified as held for sale	**-**	2
Provision for impairment	**-**	(3)
Share of post-tax results of joint ventures and associates	**6**	1

(v) On 31 March 2016 the Group reclassified its 50% investment in Corus Kalpinis Simos Cladding Industry SA to assets held for sale for a fair value of £1m. For further information please refer to Note 17. On 13 April 2016 the Group completed the sale of Corus Kalpinis Simos Cladding Industry SA, which resulted in a profit on disposal of £nil and a cash inflow of £1m.

(vi) On 7 May 2015, the group completed the sale of its 50% investment in Danieli Corus Technical Services BV. This resulted in a profit on disposal of £2m recognised in share of post-tax of joint ventures and associates and a cash inflow of £11m.

(vii) On 22 June 2015, TSUKH completed the sale of its 50% interest in Norsk Stal AS, which resulted in a profit on disposal of £nil and a cash inflow of £8m.

(viii) In 2016, the Group recognised an impairment charge of £3m to reflect the diminution in value of Caparo Merchant Bar plc.

Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2016	4,522	2,248	**6,770**
Additions	-	649	**619**
Foreign exchange movements	-	63	**63**
Cost at 31 March 2017	4,522	2,930	**7,452**
Impairment as at 1 April 2016	1,863	-	**1,863**
Impairment losses recognised in the period	2,659	1,619	**4,278**
Impairment as at 31 March 2017	4,522	1,619	**6,141**
Net book value at 31 March 2017	**-**	**1,311**	**1,311**
Net book value at 31 March 2016	2,659	2,248	4,907

During the year ended 31 March 2017, the Company loaned £50m to Tata Steel Netherland Holding B.V. ('TSNH') and £132m to TSUK. Interest is charged at LIBOR +5% and is being rolled into the loan on a 6 monthly basis.

The Company's subsidiaries and investments are listed in Note 36 of the consolidated accounts.

The carrying values of the Company's investments are tested annually for impairment using an enterprise value (EV) calculation. The calculation in 2017 uses EBITDA forecasts based on the most recently approved financial budgets and strategic forecasts approved by the Board which cover a period of five years. Key assumptions for the EV calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and an EU steel industry EV/EBITDA ratio of 6.99. Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The EV/EBITDA ratio of 6.99 is derived from the EV/EBITDA ratios for EU steel companies that are comparable to TSUKH. The outcome of the test at 31 March 2017 resulted in a permanent diminution of £2,659m (2015:£414m) in the value of the Company's equity investment in TSNH and £1,619m (2016: nil) in the Company's loan investments in its subsidiaries, due to weaker market conditions mainly in the European steel market, which are expected to remain weak over the near and medium term.

11. Other investments

	Loans and receivables £m	**Available for sale investments £m**	**2017 Total £m**	2016 Total £m
Carrying value as at 1 April 2016	11	40	**51**	49
Additions	2	2	**4**	12
Disposals	(3)	(6)	**(10)**	(12)
Revaluations	-	(1)	**-**	2
Carrying value as at 31 March 2017	10	35	**45**	51

None of the loans and receivables or available for sale investments are either overdue or impaired.

(i) The currency and interest exposure of other investments of the Group is as follows:

	2017			2016		
	Fixed rate long-term financial assets £m	**Floating rate long-term financial assets £m**	**Total £m**	Fixed rate long-term financial assets £m	Floating rate long-term financial assets £m	Total £m
Sterling	**33**	**6**	**39**	19	4	23
Euros	**4**	**2**	**6**	15	2	17
US Dollars	**-**	**-**	**-**	11	-	11
	37	**8**	**45**	45	6	51
Disclosed as:						
Loans and receivables	**8**	**2**	**10**	9	2	11
Available for sale investments	**29**	**6**	**35**	36	4	40

	2017		2016	
	Weighted average effective fixed interest rate %	**Weighted average time for which rate is fixed Years**	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	**3.0**	**1.3**	4.4	3.9
Euros	**3.2**	**5.2**	1.9	4.5
US Dollars	**-**	**-**	1.6	2.9

(ii) Contractual maturities of other investments are as follows:

As at 31 March	2017 £m	2016 £m
Within one year	**19**	2
Between two and five years	**15**	26
Greater than five years	**-**	12
No contractual maturity date	**11**	11
	45	51

(iii) Of the available for sale investments of £35m above (2016: £40m), £31m (2016: £36m) are held by TSUKH's subsidiary company Crucible Insurance Company Limited to fund insurance liabilities of the Group analysed as follows:

As at 31 March	2017 £m	2016 £m
UK listed investments	**4**	14
Overseas listed investments	**27**	22
	31	36

12. Deferred tax

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

	2017 £m	2016 £m
Deferred tax assets	**88**	59
Deferred tax liabilities	**(1)**	(1)
	87	58

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

2017	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Other £m	Total £m
At 1 April 2016	(12)	288	(210)	(18)	12	(2)	**58**
Credited/(charged) to income statement – continuing operations	2	(177)	93	23	-	6	**(53)**
Credited/(charged) to income statement – discontinued operations	-	-	1	-	-	-	**1**
Exchange rate movements	(4)	10	-	(1)	-	-	**5**
Credited/(charged) to other comprehensive income	-	-	80	-	-	(2)	**78**
Disposal of group company	-	-	(2)	-	-	-	**(2)**
At 31 March 2017	**(14)**	**121**	**(38)**	**4**	**12**	**2**	**87**

2016	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Other £m	Total £m
At 1 April 2015	(83)	198	(20)	(20)	11	(14)	72
Credited/(charged) to income statement – continuing operations	77	81	(156)	5	1	-	8
Credited/(charged) to income statement – discontinued operations	-	(1)	-	-	-	-	(1)
Exchange rate movements	(6)	10	-	(3)	-	4	5
(Charged)/credited to other comprehensive income	-	-	(34)	-	-	8	(26)
At 31 March 2016	(12)	288	(210)	(18)	12	(2)	58

Deferred tax assets of £88m (2016: £59m) 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 TSE Board 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 £5,397m (2016: £5,373m). These losses comprise UK losses of £4,291m (2016: £4,015m) and non-UK losses of £1,106m (2016: £1,358m). Included in unrecognised tax losses are losses of £466m (2016: £261m) that will expire between one and five years, losses of £336m (2016: £767m) that will expire between five and ten years and £4m (2016: £nil) that will expire between ten and twenty years. Other losses may be carried forward indefinitely.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £749m (2016: £280m) which do not carry an expiry date.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £260m (2016: £223m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Draft legislation released by the UK government, regarding implementation of Base Erosion and Profit Shifting (BEPS) Action 4 and new loss relief rules, has not been substantively enacted as at 31 March 2017. Enactment of the proposed legislation in a future accounting period will require a re-assessment of the deferred tax asset position in the UK.

13. Inventories

As at 31 March	2017 £m	2016 £m
Raw materials and consumables	**488**	374
Work in progress	**536**	447
Finished goods and goods for resale	**429**	369
	1,453	1,190

The value of inventories above is stated after impairment of £48m (2016: £103m) for obsolescence and write-downs to net realisable value.

14. Trade and other receivables

Group:

As at 31 March	2017 £m	2016 £m
Trade receivables	**694**	741
Less provision for impairment of receivables	**(6)**	(14)
	688	727
Amounts owed by other Group companies (Note 33)	**12**	10
Amounts owed by parent undertakings (Note 33)	**51**	41
Amounts owed by joint ventures (Note 33)	**1**	16
Amounts owed by associates (Note 33)	**6**	5
Derivative financial instruments (Note 23)	**11**	31
Other taxation	**16**	9
External interest receivable	**4**	-
Prepayments	**31**	31
Deferred proceeds on sale of business (Note 17)	**5**	5
Other receivables	**74**	74
	899	949

(i) Trade receivables are further analysed as follows:

As at 31 March 2017	**Gross credit risk amount £m**	**Subject to credit insurance cover £m**	**Impairment provision made £m**	**Net credit risk amount £m**
Amounts not yet due	**655**	**(608)**	**(1)**	**46**
One month overdue	**19**	**(16)**	**-**	**3**
Two months overdue	**4**	**(4)**	**-**	**-**
Three months overdue	**2**	**(2)**	**-**	**-**
Greater than three months overdue	**14**	**(4)**	**(5)**	**5**
	694	**(634)**	**(6)**	**54**

As at 31 March 2016	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	659	(558)	(1)	100
One month overdue	45	(40)	-	5
Two months overdue	5	(4)	-	1
Three months overdue	3	-	-	3
Greater than three months overdue	29	(15)	(13)	1
	741	(617)	(14)	110

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2017 to be £54m (2016: £110m), 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 23.

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

As at 31 March	**2017 £m**	2016 £m
At beginning of period	**14**	13
Impairments in the period – continuing operations (Note 1)	**2**	1
Impairments in the period – discontinued operations (Note 6)	**1**	4
Amounts utilised, exchange rate and other movements	**(7)**	(4)
Disposal of group company	**(4)**	-
At end of period	**6**	14

Company:

As at 31 March	**2017 £m**	2016 £m
Amounts owed by subsidiary undertakings	**2**	294
Interest owed by subsidiary undertakings	**33**	36
	35	330

Details of the Company's credit risk are not disclosed because the financial statements of TSUKH disclose such details on a consolidated basis.

15. Current tax

	Assets £m	Liabilities £m
2017		
UK corporation tax	**-**	**5**
Overseas taxation	**3**	**4**
	3	**9**
2016		
UK corporation tax	-	1
Overseas taxation	4	5
	4	6

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

As at 31 March	2017 £m	2016 £m
Cash at bank and in hand	**232**	278
Short-term deposits	**5**	8
Cash and short-term deposits	**237**	286
Short-term investments	**5**	1
	242	287

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

As at 31 March	2017				2016			
	Cash £m	Short-term deposits £m	Short-term investments £m	Total £m	Cash £m	Short-term deposits £m	Short-term investments £m	Total £m
Sterling	**66**	**5**	**-**	**71**	31	5	-	36
Euros	**62**	**-**	**-**	**62**	170	-	-	170
US Dollars	**82**	**-**	**-**	**82**	62	-	-	62
Other	**22**	**-**	**5**	**27**	15	3	1	19
	232	**5**	**5**	**242**	278	8	1	287
Floating interest rate	**232**	**5**	**2**	**239**	278	5	1	284
Fixed interest rate	**-**	**-**	**3**	**3**	-	3	-	3

Short-term deposits are highly liquid investments with original maturities of three months or less and short-term investments are deposits for periods not exceeding one year. The weighted average interest rate across both these types of investment was 2.6% (2016: 1.2%). During each of the periods above cash earned interest based on LIBOR or other official local rates.

17. Assets held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2017 **£m**	2016 £m
Equity accounted investments	-	1
Property, plant and equipment	-	1
Inventories	**96**	-
Trade and other receivables	**36**	-
Write down to fair value less costs to sell	**(22)**	-
Total assets classified as held for sale	**110**	2
Trade and other payables	**33**	-
Borrowings	**1**	-
Provisions and other liabilities	**1**	-
Retirement benefit obligations	**1**	-
Total liabilities classified as held for sale	**36**	-

On 1 May 2017, the Group's wholly owned subsidiary Tata Steel UK Limited completed the sale of its Speciality Steels business. As at 31 March 2017, the Speciality Steels disposal group has been classified as held for sale. Following this classification, a write down of £22m was recognised to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. The impairment has been included in the income statement within discontinued operations (Note 6).

On 10 January 2017, the Group disposed of land held by Tata Steel International (India) Limited for a value of £2m, resulting in a profit on disposal of property, plant and equipment of £1m.The land held by Tata Steel International (India) Limited was classified as held for sale at 31 March 2016.

On 13 April 2016, the Group's wholly owned subsidiary British Steel Nederland International B.V. completed the sale of its 50% interest in Corus Kalpinis Simos Cladding Industry SA to Elastron S.A. (the other 50% shareholder) which resulted in a profit on disposal of £nil. The investment in Corus Kalpinis Simos Cladding Industry SA was classified as held for sale at 31 March 2016. Prior to the classification as held for sale, the Group's interest in Corus Kalpinis Simos Cladding Industry SA was accounted for as an equity investment with a carrying value of £1m (Note 10).

On 6 May 2015, the Group's wholly owned subsidiary Tata Steel Nederland Consulting and Technical Services B.V. completed the sale of its 50% interest in Danieli Corus Technical Services B.V. to Industrielle Beteiligung S.A. (the other 50% shareholder) for proceeds of £17m, of which £5m is related to deferred consideration (Note 14). On completion the Group recognised a profit on disposal of £2m, including foreign exchange movements of £2m recycled to the income statement . These have been included in the income statement within 'share of post-tax profits of joint ventures and associates'.

18. Borrowings

Group:

As at 31 March	2017 £m	2016 £m
External:		
Bank overdrafts	**2**	2
Floating rate guaranteed Loan Notes	**1**	1
Revolving credit facility	**598**	699
Obligations under finance leases	**12**	12
	613	714

As at 31 March	2017 £m	2016 £m
Non-current:		
Inter-group:		
Amounts owed to immediate parent company (Note 33)	**2,992**	2,597
Amounts owed to Group companies (Note 33)	**129**	119
	3,121	2,716
External:		
Bank loans	**1,907**	1,749
Obligations under finance leases	**54**	79
Capitalisation of transaction costs	**(55)**	(62)
	1,906	1,766
	5,027	4,482

Total borrowings	**5,640**	5,196

Interest payable on the above borrowings is included within trade and other payables (Note 19).

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

As at 31 March	2017			2016		
	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	**22**	**2,491**	**2,513**	50	2,365	2,415
Euros	**44**	**2,829**	**2,873**	23	2,533	2,576
US Dollars	**-**	**304**	**304**	-	264	264
Other	**-**	**5**	**5**	-	3	3
Capitalisation of transaction costs	**-**	**(55)**	**(55)**	-	(62)	(62)
	66	**5,574**	**5,640**	93	5,103	5,196

	2017		2016	
	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	**7.8**	**4.1**	7.1	7.0
Euros	**5.5**	**8.3**	5.2	6.2

The majority of floating rate borrowings are bank borrowings bearing interest rates based on EURIBOR or official local rates. Of the total floating rate borrowings of £5,574m, £1,219m (2016: £1,128m) has been converted into fixed rates with interest rate swaps, with contracts covering a period less than 1 year. Interest rate risk management is discussed further in Note 23.

The weighted average interest rate on current borrowings was 5.38% (2016: 5.20%) and on non-current borrowings was 4.08% (2016: 4.39%).

(ii) The maturity of borrowings is as follows:

As at 31 March	2017 £m	2016 £m
In one year or less or on demand	**616**	721
Between one and two years	**18**	17
Between two and three years	**526**	17
Between three and four years	**802**	490
Between four and five years	**3,592**	738
More than five years	**157**	3,303
	5,711	5,286
Less: future finance charges on finance leases	**(16)**	(28)
Less: capitalisation of transaction costs	**(55)**	(62)
	5,640	5,196
Analysed as:		
Current liabilities	**613**	714
Non-current liabilities	**5,027**	4,482

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Not later than one year	**15**	18	**12**	12
Later than one year but not more than five years	**40**	60	**31**	46
More than five years	**27**	41	**23**	33
	82	119	**66**	91
Less: future finance charges on finance leases	**(16)**	(28)	**-**	-
Present value of lease obligations	**66**	91	**66**	91

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

As at 31 March	2017 £m	2016 £m
More than two years	**100**	-

The Group's senior facility limits the amount of other uncommitted, unsecured credit facilities to £430m (2016: £430m) with a sub-limit of £55m (2016: £55m) for overdrafts, bill discounting, financial guarantees and other debt classed as such on the balance sheet.

(iv) The majority of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in October 2014. The transaction costs of £72m arising from the refinancing have been capitalised and are amortised over the term of the loan. The SFA is secured by guarantees and debentures granted by material subsidiaries of TSUKH (other than Tata Steel Nederland B.V. ('TSN') and its subsidiaries) and by a share pledge over the shares in TSN. The SFA has a financial covenant which sets an annual maximum capital expenditure level. 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).

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 TSGH which in turn has been lent to TSUKH. The balance on the term loan tranches in the currency of their denomination remains unchanged from the prior year. In addition, £598m (31 March 2016: £699m) of the revolving credit facility was drawn down at 31 March 2017.

Company:

As at 31 March	2017 £m	2016 £m
Current:		
External:		
Floating rate guaranteed loan notes	**1**	1
	1	1

As at 31 March	2017 £m	2016 £m
Non-current:		
Inter-group:		
Amounts owed to immediate parent company	**2,992**	2,597
	2,992	2,597

As at 31 March 2017, the total amount outstanding with Tulip UK Holdings No.3 Limited, including principal and rolled interest, is £2,992m (2016: £2,597m). Interest is charged at LIBOR +5% and is rolled into the loan on a 6 monthly basis. The loan balance is due for repayment in December 2021.

19. Trade and other payables

Group:

As at 31 March	2017 £m	2016 £m
Trade payables	**793**	826
Amounts owed to immediate parent company (Note 33)	**4**	4
Amounts owed to parent undertakings (Note 33)	**148**	210
Amounts owed to other Group companies (Note 33)	**986**	587
Amounts owed to joint ventures (Note 33)	**1**	-
Amounts owed to associates (Note 33)	**3**	2
Other taxation and social security	**54**	39
Interest payable to immediate parent company (Note 33)	**37**	34
Interest payable to other Group companies (Note 33)	**5**	3
Interest payable to parent undertakings (Note 33)	**1**	2
Capital expenditure creditors	**88**	67
Derivative financial instruments (Note 23)	**27**	40
Advances from customers	**10**	11
Other payables	**362**	311
	2,519	2,136

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

Company:

As at 31 March	2017 £m	2016 £m
Amounts owed to subsidiary undertakings	**8**	7
Amounts owed to immediate parent company	**29**	25
	37	32

20. Pensions and post-retirement benefits

Defined contribution schemes

The Group 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 the Group 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 income in 2017 amounted to £71m (2016: £47m). Of the total cost of £71m, £63m (2016: £39m) 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

The Group operates a number of defined benefit pension and post-retirement schemes covering the majority of employees. Benefits offered by these schemes are largely based on pensionable pay and years of service at retirement. With the exception of certain unfunded arrangements, the assets of these schemes are held in administered funds that are legally separated from the company. For those pension schemes set up under a trust, the trustees are required by law to act in the best interests of the schemes beneficiaries in accordance with the scheme rules and relevant pension legislation. The trustees are generally responsible for the investment policy with regard to the assets of the fund, after consulting with the sponsoring employer.

The Group accounts for all pension and post-retirement defined 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 documentation and national legislation. The accounting and disclosure requirements of IAS 19 do not affect these funding arrangements.

The principal defined benefit pension scheme of the Group at 31 March 2017 was the BSPS, which is the main scheme for historic and present employees based in the UK. The main scheme for historic and present employees in the Netherlands is the SPH which, from 7 July 2015, switched from being classified as a defined benefit scheme to a defined contribution scheme.

As part of TSUKH's divestment of its Long Products Business, the Group disposed of the net liability to the post-retirement scheme of Tata Steel France Rail SAS and Tata Steel UK Rail Consultancy Limited.

BSPS

Following consultation with employees and their representatives, TSUK wrote to the BSPS Trustee on 10 March 2017 giving notice that pursuant to the closure powers granted to it in the Scheme Rules, all Sections of the Scheme would close to future accrual on 31 March 2017.

The IAS 19 impact of the closure of the Scheme crystallised in 2017 a curtailment charge of £413m to the income statement with an increase to the scheme's liabilities for the same amount.

Under the terms of the Recovery Plan agreed with the BSPS Trustee following the 2014 actuarial valuation, a deficit recovery contribution of £60m was due on 31 March 2017. On 27 March 2017, having consulted with the Pensions Regulator and the Pension Protection Fund, the BSPS Trustee approved a short deferral of the deficit recovery contribution of £60 million due under the Recovery Plan from 31 March 2017 to 30 April 2017 to allow discussions around a comprehensive settlement for the Scheme to be progressed. A revised Schedule of Contributions and revised Recovery Plan, reflecting this deferral, were effected on 30 March 2017. Receipt of the £60 million deficit recovery contributions was subsequently deferred to 31 August 2017 and a revised Schedule of Contributions was certified on 30 May 2017. Deficit contributions of £65m are due in 2018.

The investment policy of the BSPS adopts a defensive strategic asset allocation. The investment objective of the BSPS fund is to provide a high level of security of pension benefits at the lowest reasonable cost, taking into account the nature of the scheme's liabilities, the maturity of the scheme, and the characteristics of the Company's business. This leads to security for the Maturity Portfolio, which seeks to match a large part of the Scheme's pensioner liabilities with secure bonds, and performance for the Growth Portfolio, which seeks to achieve a higher level of long term investment return from an equity orientated investment policy. As a result of Tata Steel's announcements on restructuring its European operations, the BSPS Trustee decided to reduce the size of the Growth Portfolio and increase the Maturity Portfolio, and to adjust the balance between fixed income and index-linked bonds. As at 31 March 2017, the scheme's asset allocation was Maturity Portfolio (including an Insurance Portfolio created during the year to better hedge interest rate an inflation risk) 87%, Growth Portfolio 13%. Comparative figures as at 31 March 2016 were Maturity Portfolio 66%, Growth Portfolio 34%.

The joint contribution rate payable in respect of service between 1 April 2016 and 31 March 2017 was 18%, of which the employer paid 11.5%.

Employer and active members' contributions to the scheme in 2017 amounted to £136m (2016: £136m) and £22m (2016: £28m) respectively. The continued increase and decrease to employer and active members' contributions respectively during the financial year was due to greater take up of 'Smart Pensions', a salary sacrifice scheme under which active members have the option to elect to stop making contributions and for the employer to make additional contributions on their behalf in return for an equivalent reduction in gross contractual pay. The weighted average duration of the scheme's liabilities at 31 March 2017 was 16 years (2016: 16 years).

As announced by TSL on 16 May 2017, the key commercial terms of a RAA have been agreed in principle between TSUK and the BSPS Trustee. Since that time the negotiation of detailed RAA documentation has continued and whilst the RAA remains subject to formal approval by the tPR and non-objection from the PPF positive discussions are ongoing and TSUK is hopeful of reaching final agreement shortly. If agreement is reached and the necessary approvals are obtained, the RAA will become effective once agreed conditions are satisfied, including the payment by TSUK of an agreed settlement amount of £550m to the BSPS and the provision of a 33% equity stake in TSUK. It is hoped that signing of definitive documentation can take place within a further short period. The RAA would then be subject to a 28 day period during which certain parties have a right to object, following which (and in the absence of sustained objections) tPR is expected to approve the RAA and for it to become effective. The effect of the RAA would then be to remove the BSPS liabilities from TSUK and the other sponsoring employers; the existing guarantees and security granted in favour of the BSPS Trustee will also be released.

TSUK has also agreed in principle, that subsequent to an RAA, TSUK would sponsor a closed new pension scheme (the New Scheme). TSUK sponsorship of a New Scheme is conditional upon satisfaction of certain qualifying conditions. If those conditions are satisfied, members of the BSPS would be offered an option to transfer to the New Scheme. The New Scheme would have lower future annual increases for pensioners and deferred members than the BSPS and therefore an improved funding position which would pose significantly less risk for TSUK. There is presently no certainty with regards to the eventual existence, size, terms or form of the New Scheme and the funding position and membership of any New Scheme would be dependent on the results of the voluntary membership transfer exercise. The results of the member transfer exercise would not be known until the end of 2017 at the earliest, but the RAA would become effective before the transfer exercise and would not be conditional upon it. BSPS will then be wound up and enter the PPF.

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	**BSPS** %	**SPH[3]** %	**Other** %
Salary growth[1]	1.50	-	1.00 to 2.00
Pension increases[2]	3.10	-	1.75 to 2.00
Discount rate	2.40	-	0.50 to 4.10
Inflation	3.10	-	1.00 to 3.00

[1] The BSPS assumption applies to capped Pensionable Earnings.
[2] Where applicable a CPI assumption of 2.10% has been applied within the BSPS.
[3] 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	BSPS %	SPH[3] %	Other %
Salary growth	1.50	-	1.00 to 2.50
Pension increases[4]	2.75	-	1.30 to 2.00
Discount rate	3.30	-	0.40 to 4.10
Inflation	2.75	-	1.00 to 3.00

[3] 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.
[4] Where applicable a CPI assumption of 1.75% has been applied within the BSPS.

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 index-linked gilts.

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. For the BSPS the liability calculations as at 31 March 2017 use the Self-Administered Pension Schemes 2 (SAPS 2) base tables, S2NMA/S2DFA with the 2015 CMI projections with a 1.50% pa long-term trend applied from 2007 to 2016 (adjusted by a multiplier of 1.15 for males and 1.21 for females). In addition, future mortality improvements are allowed for in line with the 2016 CMI Projections with a long-term improvement trend of 1% per annum. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years of age and a male member reaching age 65 in 15 years time is then expected to live on average to 87 years of age.

Sensitivities
Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period:

Assumption	Change in assumption	Impact on scheme liabilities
		Impact on BSPS scheme liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.5%
Inflation	Increase/decrease by 10bps	Increase/decrease by 1.2%
Mortality	1 year increase in life expectancy	Increase/decrease by 5.1%

Sensitivities for the BSPS have been provided as it is a material scheme. Sensitivities for SPH are no longer disclosed as the scheme was reclassified to a defined contribution scheme with effect from 7 July 2015.

The above sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the balance sheet.

The market value of pension assets and liabilities is significantly greater than the net assets of the Group and, therefore, any change can have a material impact on the Group's financial statements as well as impacting the level of company pension contributions. The Group has put in place a framework to manage pension risks and works with schemes' trustees to ensure that obligations remain affordable and sustainable. A range of measures has already been adopted by the principal schemes in the Group to manage liabilities and to protect against investment market risk exposure, whilst maintaining asset performance.

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. No charge or credit is reflected here for any surplus or deficit in the scheme and so the cost is unrelated to whether, or how, the scheme is funded.
- Net interest cost/(income) on the liability or asset 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 other 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 re-measurement 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	**BSPS £m**	**SPH £m**	**Other £m**	**Total £m**
Current service cost	92	-	4	**96**
Net interest (income)/cost	(38)	-	3	**(35)**
Curtailments	102	-	-	**102**
Past service costs (Note 3)	413	-	-	**413**
Defined benefit schemes	569	-	7	**576**
Defined contribution schemes	4	63	4	**71**
Total charge for the period	**573**	**63**	**11**	**647**

2016	BSPS £m	SPH £m	Other £m	Total £m
Current service cost	126	24	3	153
Net interest (income)/cost	(30)	1	4	(25)
Settlements (Note 3)	-	(57)	-	(57)
Curtailments	112	-	-	112
Past service credit (Note 3)	(897)	-	-	(897)
Defined benefit schemes	(689)	(32)	7	(714)
Defined contribution schemes	4	39	4	47
Total credit for the period	(685)	7	11	(667)

Total pension costs disclosed above and included in the income statement are as follows:

	2017 £m	2016 £m
Continuing operations – exceptional pension items (Note 3)	**413**	(954)
Continuing operations - other pension costs (Note 3)	**121**	141
Discontinued operations - other pension costs (Note 6)	**11**	34
Pension curtailment costs (Note 2)	**1**	112
Curtailment strain on disposal of Group company (Note 32)	**101**	-
Total charge/(credit) for the period	**647**	(667)

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 UK and 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	**BSPS %**	**SPH %**	**Other %**
Quoted:			
Equities – UK Entities	**0.8**	-	-
Equities – Non-UK Entities	**8.5**	-	**48.2**
Bonds – Fixed Rate	**39.8**	-	**27.7**
Bonds – Index Linked	**42.5**	-	-
Derivatives	**0.2**	-	**3.9**
Other	-	-	**0.8**
	91.8	-	**80.6**
Unquoted:			
Real estate	**8.5**	-	**7.6**
Derivatives	**(0.6)**	-	-
Cash and cash equivalents	-	-	**11.8**
Other	**0.3**	-	-
	8.2	-	**19.4**
Total	**100.0**	-	**100.0**

SPH has zero plan assets due to it being classified as a defined benefit scheme from 7 July 2015.

2016	BSPS %	SPH %	Other %
Quoted:			
Equities – UK Entities	8.1	-	0.5
Equities – Non-UK Entities	18.9	-	35.3
Bonds – Fixed Rate	17.7	-	17.0
Bonds – Index Linked	44.6	-	2.0
Derivatives	-	-	2.3
Other	-	-	2.2
	89.3	-	59.3
Unquoted:			
Real estate	9.5	-	2.5
Derivatives	(0.5)	-	-
Cash and cash equivalents	0.2	-	7.0
Other	1.5	-	31.2
	10.7	-	40.7
Total	100.0	-	100.0

SPH has zero plan assets due to it being classified as a defined benefit scheme from 7 July 2015.

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	**BSPS £m**	**SPH £m**	**Other £m**	**Total £m**
Fair value of plan assets	15,032	-	108	**15,140**
Present value of obligation	(14,816)	-	(242)	**(15,058)**
Defined benefit asset/(liability) at end of period	216	-	(134)	**82**
Disclosed as:				
Defined benefit asset	216	-	-	**216**
Defined benefit liability – current	-	-	(3)	**(3)**
Defined benefit liability – non-current	-	-	(131)	**(131)**
Arising from:				
Funded schemes	216	-	(42)	**(174)**
Unfunded schemes	-	-	(92)	**(92)**

2016	BSPS £m	SPH £m	Other £m	Total £m
Fair value of plan assets	13,639	-	152	13,791
Present value of obligation	(12,433)	-	(321)	(12,754)
Defined benefit asset/(liability) at end of period	1,206	-	(169)	1,037
Disclosed as:				
Defined benefit asset	1,206	-	-	1,206
Defined benefit liability – current	-	-	(5)	(5)
Defined benefit liability – non-current	-	-	(164)	(164)
Arising from:				
Funded schemes	1,206	-	(65)	1,141
Unfunded schemes	-	-	(104)	(104)

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

2017	BSPS £m	SPH £m	Other £m	Total £m
Plan assets:				
As at 1 April 2016	13,639	-	152	**13,791**
Interest income on plan assets	440	-	3	**443**
Return on plan assets greater than the discount rate	1,652	-	6	**1,658**
Contributions from the employer	56	-	4	**60**
Contributions from plan participants	12	-	1	**13**
Benefits paid	(767)	-	(7)	**(774)**
Exchange rate movements	-	-	13	**13**
Disposal of group company	-	-	(64)	**(64)**
As at 31 March 2017	15,032	-	108	**15,140**

	BSPS £m	SPH £m	Other £m	Total £m
Defined benefit obligations:				
As at 1 April 2016	12,433	-	321	**12,754**
Current service cost	92	-	4	**96**
Interest cost on the defined benefit obligation	402	-	6	**408**
Past service cost - plan amendments	413	-	-	**413**
Past service cost - curtailments	102	-	-	**102**
Actuarial gain/(loss) due to actuarial experience	(96)	-	1	**(95)**
Actuarial loss/(gain) due to financial assumption changes	2,305	-	(5)	**2,300**
Actuarial gain due to demographic assumption changes	(80)	-	-	**(80)**
Benefits paid	(767)	-	(12)	**(779)**
Contributions from plan participants	12	-	1	**13**
Exchange rate movements	-	-	26	**26**
Transfer to liabilities classified as held for sale	-	-	(1)	**(1)**
Disposal of group company	-	-	(99)	**(99)**
As at 31 March 2017	14,816	-	242	**15,058**

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

2016	BSPS £m	SPH £m	Other £m	Total £m
Plan assets:				
As at 1 April 2015	13,988	5,983	143	20,114
Interest income on plan assets	453	25	4	482
Return on plan assets less than the discount rate	(304)	(285)	(4)	(593)
Contributions from the employer	136	14	12	162
Contributions from plan participants	22	6	-	28
Benefits paid	(656)	(49)	(7)	(712)
Exchange rate movements	-	36	4	40
Settlement of defined benefit scheme	-	(5,730)	-	(5,730)
As at 31 March 2016	13,639	-	152	13,791

Defined benefit obligations:				
As at 1 April 2015	13,844	5,991	317	20,152
Current service cost	126	24	3	153
Interest cost on the defined benefit obligation	423	26	8	457
Past service credit - plan amendments	(897)	-	-	(897)
Past service cost - curtailments	112	-	-	112
Actuarial gain due to actuarial experience	(121)	(22)	(4)	(147)
Actuarial gain due to financial assumption changes	(420)	(224)	(6)	(650)
Benefits paid	(656)	(49)	(11)	(716)
Contributions from plan participants	22	6	-	28
Exchange rate movements	-	35	14	49
Settlement of defined benefit scheme	-	(5,787)	-	(5,787)
As at 31 March 2016	12,433	-	321	12,754

Actuarial losses recorded in the statement of comprehensive income for the period were £467m (2016: gains of £204m).

21. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Employee benefits (iii) £m	Other (iv) £m	**Total 2017 £m**	Total 2016 £m
At beginning of period	102	101	88	108	**399**	223
Charged to income statement						
Continuing operations	10	16	25	17	**68**	157
Discontinued operations	3	-	-	12	**15**	54
Released to income statement						
Continuing operations	(4)	(3)	(45)	(2)	**(54)**	(12)
Discontinued operations	(1)	-	-	-	**(1)**	(2)
Utilised in period	(62)	(5)	-	(3)	**(70)**	(53)
Disposal of Group undertakings	(11)	-	(1)	(28)	**(40)**	-
Transferred to assets held for sale	-	-	-	(1)	**(1)**	-
Exchange rate movements	-	-	3	4	**7**	8
At end of period	**37**	**109**	**70**	**107**	**323**	375
Analysed as:						
Current liabilities	9	-	2	55	**66**	120
Non-current liabilities	28	109	68	52	**257**	255

(i) Rationalisation costs include redundancy provisions as follows:

	2017 £m	2016 £m
At beginning of period	**54**	11
Charged to income statement		
Continuing operations	**8**	32
Discontinued operations	**2**	43
Released to income statement		
Continuing operations	**(3)**	-
Discontinued operations	**(1)**	-
Utilised during the period	**(55)**	(32)
Disposal of Group undertakings	**(2)**	-
At end of period	**3**	54

	2017 £m	2016 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	**23**	26
Environmental and other remediation costs at sites subject to restructuring/closure	**9**	17
Other	**2**	5
	34	48

Although the precise timing in respect of utilising the redundancy provisions is not known, the majority is expected to be incurred within one year. At 31 March 2017 the rationalisation provision included £23m (2016: £26m) in respect of onerous leases on a discounted basis. This provision would have amounted to £24m (2016: £28m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 16 years.

(ii) The insurance provisions include Crucible Insurance Company Limited which underwrites marine cargo, employers' liability, public liability and retrospective hearing impairment policies for the Group. The provisions include losses incurred but not yet reported in respect of risks retained by the Group rather than passed to third party insurers and include amounts in relation to certain disease insurance claims. All are subject to regular review and are adjusted as appropriate. The value of final insurance settlements is uncertain and so is the timing of expenditure.

(iii) 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.

(iv) Other provisions include environmental provisions of £25m (2016: £46m), emission rights provisions of £30m (2016: £24m), early retirement provisions of £21m (2016: £19m) and product warranty claims of £8m (2016: £6m). The timing in respect of utilising these provisions is uncertain.

22. Other non-current liabilities

As at 31 March	2017 £m	2016 £m
Derivative financial instruments (Note 23)	**-**	4
Other creditors	**20**	28
	20	32

As at 31 March	2017 £m	2016 £m
An analysis of other creditors by currency is set out below:		
Sterling	**18**	28
Euros	**2**	4
	20	32

Other creditors, which predominantly relate to long-term insurance liabilities, are due for repayment within five years and are not subject to interest.

Company:

As at 31 March	2017 £m	2016 £m
Other creditors	**1**	1
Stock loan	**494**	462
	495	463

23. Financial instruments and risk management

(i) Capital risk management

The Group manages its capital with the aim of ensuring that the entities in the Group are able to continue as a going concern. Further details are included in the basis of preparation on page 28. The Group's overall category risk strategy remains unchanged from 2016. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 18, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

As at 31 March	2017 £m	2016 £m
Financial assets:		
Loans and receivables:		
Other investments (Note 11)	**10**	11
Trade receivables (Note 14)	**688**	727
Other receivables [1] (Note 14)	**153**	151
Other short-term investments (Note 16)	**5**	1
Cash and short-term deposits (Note 16)	**237**	287
	1,093	1,176
Financial liabilities:		
Financial liabilities held at amortised cost:		
Trade and other payables [2] (Note 19)	**(2,428)**	(2,046)
Current borrowings (Note 18)	**(613)**	(714)
Non-current borrowings (Note 18)	**(5,027)**	(4,482)
Other non-current liabilities (Note 22)	**(20)**	(28)
	(8,088)	(7,270)
	(6,995)	(6,095)

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

The directors consider that 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 values of these are £600m (2016: £699m) and £4,820m (2016: £4,277m) 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.

(iii) 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 and this includes the Group's holdings of listed investments). 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, commodity contracts and interest rate swaps). The Group's derivative financial assets and liabilities are also 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.

As at 31 March	2017			
	Level 1 £m	**Level 2** £m	**Level 3** £m	**Total** £m
Financial assets at fair value:				
Derivative financial assets (Note 14)	-	**11**	-	**11**
Available for sale financial assets (Note 11)	**35**	-	-	**35**
	35	**11**	-	**46**
Financial liabilities at fair value:				
Derivative financial liabilities (Note 19)	-	**(27)**	-	**(27)**
	-	**(27)**	-	**(27)**

As at 31 March	Level 1	Level 2	Level 3	Total
		2016		
	£m	£m	£m	£m
Financial assets at fair value:				
Derivative financial assets (Note 14)	-	31	-	31
Available for sale financial assets (Note 11)	40	-	-	40
	40	31	-	71
Financial liabilities at fair value:				
Derivative financial liabilities (Note 19, 22)	-	(44)	-	(44)
	-	(44)	-	(44)

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

(iv) Financial risk management
The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage risks arising from those operations. The principal financial risks to which the Group is exposed are those of foreign exchange, commodity, interest rate and liquidity which are largely managed by the centralised Group treasury functions whose activities are governed by policies and procedures approved by the TSE Executive committee. The TSE Treasury committee meet at least quarterly to review activities and to monitor treasury performance against policies.

(a) Market risk: foreign exchange risk and management
At 31 March 2017, the Group had £5,640m (2016: £5,196m) in borrowings, of which £2,818m (2016: £2,514m) net of capitalised transaction costs of £55m (2016: £62m) is denominated in euros, £2,513m (2016: £2,415m) is denominated in sterling, £304m (2016: £264m) is denominated in US dollars, and £5m (2016: £3m) is denominated in other currencies. As described in Note 18, the majority of the Group's borrowings relate to the SFA and is held by the euro-denominated subsidiary company TSNH. As at 31 March 2017, in order to reduce the Group's exposure to foreign exchange risk, all of the US dollar borrowings have been covered by a euro short-term forward rate agreement.

It is the Group's policy that substantially all of the net currency transaction exposure arising from contracted sales and purchases over an approximate 6 month time horizon is covered by selling or purchasing foreign currency forwards. At 31 March 2017, the Group held forward currency sales of principally euros and US dollars amounting to £851m (2016: £494m) and purchases of principally US dollars and sterling amounting to £1,854m (2016: £1,506m).

A 10% appreciation of sterling at 31 March 2017 would increase the Group's net assets by approximately £309m (2016: £225m), increase equity by approximately £309m (2016: £225m) and decrease operating profit by approximately £nil (2016: £nil). This sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in net debt and finance lease obligations which do not present a material exposure.

(b) Market risk: commodity risk and management
The Group makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Across the Group forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices.

At 31 March 2017, a 10% appreciation of market prices would decrease the Group's equity by approximately £7m (2016: £5m). 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 would depend on the point at which the underlying hedged transactions were also recognised.

(c) Market risk: interest risk and management
The objective of the Group's interest risk management is to reduce its exposure to the impact of changes in interest rates in the currencies in which debt is borrowed. It is a requirement of the SFA that a minimum of 50% of the debt be converted into fixed rates of interest. At 31 March 2017, of the total SFA borrowings of £1,903bn, 65% was subject to interest rate swaps, which swaps floating rates based on EURIBOR to a fixed rate of 0%.

Based on the composition of net debt at 31 March 2017, a 100 basis points increase in interest rates over the 12 month period would increase the Group's net finance expense by approximately £54m (2016: £49m), and increase equity by approximately £2m (2016: £10m).

(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 amounts 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.

Individual operating units are responsible for controlling their own 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 exposure 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, and interest rate swaps. 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

The management of liquidity risk is co-ordinated and controlled centrally by the Group's treasury operations. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 18, the total undrawn committed borrowing facilities at 31 March 2017 is £100m (2016: £nil).

The TSE Board and Executive committee review the Group's liquidity and any associated risk on a monthly basis, which includes a review of the Group's funding position and cash flow forecasts.

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 rate interest 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.

As at 31 March	**2017**			
	Contractual cashflows	**Less than 1 year**	**Between 1 – 5 years**	**More than 5 years**
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	**(2,428)**	**(2,428)**	**-**	**-**
Floating rate guaranteed loan notes	**(1)**	**(1)**	**-**	**-**
Finance lease obligations	**(82)**	**(15)**	**(40)**	**(27)**
Bank and other loans	**(6,756)**	**(680)**	**(5,932)**	**(144)**
Other creditors	**(20)**	**-**	**(20)**	**-**
	(9,287)	**(3,124)**	**(5,992)**	**(171)**
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	**(2,717)**	**(2,717)**	**-**	**-**
Receivables	**2,708**	**2,708**	**-**	**-**
Interest rate swaps	**(2)**	**(2)**	**-**	**-**
Commodity contracts	**(1)**	**(1)**	**-**	**-**
Forward rate agreement				
Payables	**(305)**	**(305)**	**-**	**-**
Receivables	**301**	**301**	**-**	**-**
	(16)	**(16)**	**-**	**-**
Total financial liabilities	**(9,303)**	**(3,140)**	**(5,992)**	**(171)**

[1] Excludes other taxation and social security, and advances from customers

As at 31 March	2016			
	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	(2,046)	(2,046)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Finance lease obligations	(119)	(18)	(60)	(41)
Bank and other loans	(6,441)	(921)	(2,074)	(3,446)
Other creditors	(28)	-	(28)	-
	(8,635)	(2,986)	(2,162)	(3,487)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(2,013)	(2,013)	-	-
Receivables	2,010	2,010	-	-
Interest rate swaps	(4)	(4)	-	-
Commodity contracts	5	5	-	-
Forward rate agreement				
Payables	(274)	(274)	-	-
Receivables	263	263	-	-
	(13)	(13)	-	-
Total financial liabilities	(8,648)	(2,999)	(2,162)	(3,487)

[1] Excludes other taxation and social security, and advances from customers

(v) Derivative financial instruments

Derivative financial instruments used by the Group include forward exchange contracts, commodity contracts and interest rate swaps. These financial instruments are utilised to hedge significant future transactions and cash flows and in the majority of cases these are subject to hedge accounting under IAS 39. The Group does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

The following table sets out the fair values of derivatives held by the Group at the end of the reporting period:

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	£m	£m	£m	£m
Non-current:				
Interest rate swaps	-	-	-	(4)
	-	-	-	(4)
Current:				
Interest rate swaps	-	**(2)**	-	-
Foreign currency contracts	**11**	**(20)**	26	(29)
Commodity contracts	-	**(1)**	5	-
Forward rate agreements	-	**(4)**	-	(11)
	11	**(27)**	31	(40)
	11	**(27)**	31	(44)

The fair value of derivative financial instruments that were designated as cash flow hedges at the end of the reporting period were:

	Foreign currency contracts £m	Commodity contracts £m	Interest rate swap £m	Taxation £m	2017 £m
Cash flow hedge reserve net of taxation at beginning of period	**(3)**	**4**	**(5)**	**2**	**(2)**
Transfer to income statement	**(9)**	**(13)**	**-**	**-**	**(22)**
Charged/(credited) to cash flow hedge reserve	**26**	**9**	**3**	**(5)**	**33**
Cash flow hedge reserve net of taxation at end of period	**14**	**-**	**(2)**	**(3)**	**9**

	Foreign currency contracts £m	Commodity contracts £m	Interest rate swap £m	Taxation £m	2016 £m
Cash flow hedge reserve net of taxation at beginning of period	17	(11)	(22)	3	(13)
Transfer to income statement	(30)	22		-	(8)
Charged/(credited) to cash flow hedge reserve	10	(7)	17	(1)	19
Cash flow hedge reserve net of taxation at end of period	(3)	4	(5)	2	(2)

At the end of the reporting period the total notional amount of outstanding foreign currency, commodity contracts and interest rate swaps that the Group has committed to are as follows:

	2017 £m	2016 £m
Foreign currency contracts	**2,716**	2,000
Commodity futures and options	**98**	59
Interest rate swaps	**1,219**	1,128
Forward rate agreements	**304**	264

Ineffectiveness on cash flow hedges recognised in the income statement was £nil in 2017 (2016: £nil).

24. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2017 £m	2016 £m
At 1 April 2016	4	11	**15**	17
New contributions received	-	1	**1**	1
Exchange rate movements	-	2	**2**	1
Released to income statement	(2)	(2)	**(4)**	(3)
At 31 March 2017	2	12	**14**	16

25. Share capital

Group and Company:

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

Authorised	2017 £m	2016 £m
5,000,000,000 ordinary shares of £1 each	**5,000**	5,000

Allotted, called up and fully paid	2017 £m	2016 £m
3,497,479,295 ordinary shares of £1 each	**3,497**	3,497

The Company has one class of ordinary shares which carry no right to fixed income.

Company reconciliation of share capital and equity:

	Ordinary share capital £m	**Share premium £m**	**Profit and loss reserves £m**	**Total £m**
At 1 April 2016	**3,497**	450	(1,803)	**2,144**
Loss retained	-	-	(4,323)	**(4,323)**
At 31 March 2017	**3,497**	**450**	**(6,126)**	**(2,179)**

	Ordinary share capital £m	Share premium £m	Profit and loss reserves £m	Total £m
At 1 April 2015	3,497	450	(1,340)	2,607
Loss retained	-	-	(463)	(463)
At 31 March 2016	3,497	450	(1,803)	2,144

26. Future capital expenditure

	2017 £m	2016 £m
Contracted but not provided for	**197**	255
Authorised but contracts not yet placed	**222**	248

At the end of the period there was £33m (2016: £17m) of future expenditure planned in relation to intangible assets.

27. 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	**69**	76
Later than one year and not later than five	**181**	259
More than five years	**42**	129
	292	464

Of the total operating lease payments, £143m (2016: £164m) relates to the time charter hire of 5 (2016: 6) vessels by the Group's central supplies and transport function. The lease period for these assets ranges from three to six years.

This includes the time charter hire of three vessels that have been novated to Proco as part of its provision of a full freight service to TSUKH (see note 33) on the basis that the menu pricing mechanism is designed to recover all costs incurred by Proco in the provision of that service to TSUKH, and TSUKH therefore effectively retains the liabilities under the lease contracts.

TSUKH has entered into an arrangement that includes the sub-letting of 2 (2016: 2) of the time charter hire vessels, representing £55m (2016: £61m) of the total operating lease payments above. The total of future minimum sublease payments expected to be received under these sub-leases is £55m (2016: £61m) as shown below:

	2017 £m	2016 £m
Future minimum sub-lease receipts for the Group at the end of the period are:		
Not later than one year	**15**	13
Later than one year and not later than five	**40**	48
More than five years	**-**	-
	55	61

A further two vessels have been sublet to Proco but excluded from the sublet analysis above on the basis the cost is retained by TSUKH under the Proco freight services agreement.

28. Contingencies

	2017 £m	2016 £m
Guarantees given under trade agreements	**22**	59
Others	**55**	55

Dependent on future events, other current legal proceedings and recent significant contracts may give rise to contingencies and commitments that are not currently reflected in the above figures. There are also contingent liabilities in the ordinary course of business in connection with the completion of contractual arrangements.

The Group is party to a number of environmental obligations where there is a possibility that an obligation may crystallise. No provision has been made in these financial statements where the Group does not consider that there is any probable loss.

The Group is 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.

29. Reconciliation of cash generated from total operations

	2017 £m	2016 £m
Loss after taxation	**(913)**	(884)
Adjustments for:		
Taxation	**59**	(14)
Depreciation and amortisation including impairment items (net of grants released)	**336**	1,084
Loss/(profit) on disposal of property, plant and equipment and Group companies	**225**	(3)
Loss recognised on measurement to fair value less costs to sell	**22**	-
Finance income	**(4)**	(1)
Finance expense	**372**	358
Share of post tax results of joint ventures and associates	**(6)**	(1)
Movement in pensions and post-retirement benefits	**410**	(881)
Movement in provisions for impairments of trade receivables	**(4)**	-
Movement in insurance and other provisions	**8**	132
Movement in spares	**1**	(19)
Movement in inventories	**(457)**	416
Movement in receivables	**(36)**	63
Movement in payables	**487**	(602)
Net rationalisation costs provided	**8**	80
Utilisation of rationalisation provisions	**(62)**	(44)
Net cash flow generated from operations	**446**	(316)

30. Reconciliation of net cash flow to movement in net debt

	2017 £m	2016 £m
Movement in cash and cash equivalents	**(68)**	46
Movement in short-term investments	**3**	(1)
Movement in total debt excluding bank overdrafts	**(55)**	(900)
Change in net debt resulting from cash flows in period	**(120)**	(855)
Exchange rate movements	**(225)**	(184)
Fair value of forward rate agreements	**7**	(22)
Other non cash changes	**(144)**	(130)
Movement in net debt in period	**(482)**	(1,192)
Net debt at beginning of period	**(4,920)**	(3,729)
Net debt at end of period	**(5,402)**	(4,920)

31. Analysis of net debt

	2016 £m	Cash flow £m	Exchange rate movements £m	Other non-cash movements £m	2017 £m
Cash and short-term deposits	286	(68)	19	-	**237**
Bank overdrafts	(2)	-	-	-	**(2)**
Cash and cash equivalents	284	(68)	19	-	**235**
Short-term investments	1	3	1	-	**5**
Liquid resources	285	(65)	20	-	**240**
Other non-current borrowings	(4,403)	(182)	(226)	(162)	**(4,973)**
Fair value of forward rate agreement	(11)	-	-	7	**(4)**
Bank/other loans and loan notes	(700)	116	(15)	-	**(599)**
Obligations under finance leases	(91)	11	(4)	18	**(66)**
Total debt excluding bank overdrafts	(5,205)	(55)	(245)	(137)	**(5,642)**
	(4,920)	(120)	(225)	(137)	**(5,402)**

The other non-cash movements in respect of non-current borrowings relate to the rolling up of interest of £151m into principal in respect of the loans from the parent company and £11m of loan transaction costs amortised during the year.

32. Disposal of subsidiaries

On 31 May 2016 the Group completed the sale of its Long Products Europe business to Greybull Capital LLP.

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	68	
Deferred tax assets	2	
Inventories	162	
Trade and other receivables	216	
Cash and cash equivalents	4	
Short-term borrowings	(2)	
Trade and other payables	(226)	
Current tax liabilities	(1)	
Short-term provisions and other liabilities	(35)	
Long-term borrowings	(22)	
Retirement benefit obligations	(36)	
Long-term provisions and other liabilities	(5)	
Net assets disposed		125
Gross consideration received by TSUKH	6	
Foreign exchange recycled to the income statement – continuing operations	2	
Foreign exchange recycled to the income statement – discontinued operations	3	
Curtailment strain in relation to BSPS (Note 20)	(101)	
Transaction fees and other adjustments	(10)	
Loss on disposal		(225)

The loss from the disposal of discontinued operations for the year was £227m (Note 6), with a profit of £2m relating to the profit on disposal of group company (Note 2).

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

	£m	£m
Consideration paid in cash and cash equivalents	6	
Deferred consideration	10	
Less: cash and cash equivalents disposed of	(4)	
Net cash flow		12

33. Related party transactions

The table below sets out details of transactions which occurred in the normal course of business at market rates and terms, and loans between the Group, its parent and its joint ventures and associates. The loan owed to the immediate parent company carries interest at 5% above LIBOR per annum charged on the outstanding loan balance.

	2017 £m	2016 £m
Amounts reported within the consolidated income statement:		
Sales to joint ventures	**47**	90
Sales to associates	**89**	63
Sales to parent undertakings	**-**	17
Sales to other Group companies	**2**	28
Other operating income with parent undertakings	**11**	40
Other operating income with other Group companies	**1**	3
Purchases from joint ventures	**1**	6
Purchases from associates	**35**	27
Purchases from ultimate parent company	**3**	5
Purchases from parent undertakings	**169**	243
Purchases from other Group companies	**1,394**	960
Interest on loans from immediate parent company (Note 4)	**153**	102
Interest on loans from parent undertakings (Note 4)	**9**	14
Interest on loans from other Group companies (Note 4)	**47**	46
Discount on disposal of trade receivables within purchase agreement with Group company (Note 4)	**59**	76
Amounts reported within the Consolidated balance sheet:		
Amounts owed by joint ventures (Note 14)	**1**	16
Amounts owed by associates (Note 14)	**6**	5
Amounts owed by parent undertakings (Note 14)	**51**	41
Amounts owed by other Group companies (Note 14)	**12**	10
Amounts owed to joint ventures (Note 19)	**1**	-
Amounts owed to associates (Note 19)	**3**	2
Amounts owed to immediate parent company (Note 19)	**4**	4
Amounts owed to parent undertakings (Note 19)	**148**	210
Amounts owed to other Group companies (Note 19)	**986**	577
Interest payable to other Group companies (Note 19)	**5**	3
Interest payable to immediate parent company (Note 19)	**37**	34
Interest payable to parent undertakings (Note 19)	**1**	2
Loans owed to immediate parent company (Note 18)	**2,992**	2,597
Loans owed to other Group companies (Note 18)	**129**	119

Included in the transactions and balances above are arrangements that have been put in place with T S Global Procurement Co. Pte Limited ('Proco'), its subsidiary Proco Issuer Pte Limited ('Proco Issuer'), Tata Steel International ('Singapore') Pte Limited ('TSIS'), ABJA Investment Co. Pte Limited ('ABJA') and Tata Sons. These include:

Proco and Proco Issuer

(a) During 2010/11, an arrangement for extended payment terms was reached between TSUKH, Proco and certain raw material suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by Proco. During 2011/12, this was

extended to include a further arrangement whereby Proco acts as principal within certain supply agreements (e.g. raw material and fuel). Under this arrangement, Proco makes the payment to the supplier when due and then Proco provides the extended credit terms to TSUKH in return for an increase in purchase price. As at 31 March 2017 £872m (2016: £511m) was owed to Proco under these arrangements collectively, with total financing costs in the period of £38m (2016: £38m). Total purchases in the year in relation to this agreement were £1,258m (2016: £946m).

(b) A non-recourse securitisation arrangement is in place with Proco Issuer whereby it purchases certain trade receivables from TSUKH in the UK, Netherlands, France, Germany and Spain. The purchase price of these transactions is set with reference to the carrying value of the underlying receivables less a default deduction and a discount charge, with the receivables de-recognised by the applicable TSUKH Group member at the time of sale to Proco Issuer and a discount on disposal (representing the default deduction and discount charge) recognised at the same time. The discount on disposal for the period to March 2017 amounted to £59m (2016: £76m). As at 31 March 2017 £103m (2016: £64m) was owed to Proco Issuer under this arrangement. During the year TSUKH recognised £2m (2016: £4m) of servicing income with Proco which reflects the administration costs incurred by TSUKH for collecting the debtors on behalf of Proco.

ABJA Investment Co. Pte Limited (ABJA)

During the December 2013 quarter, and the March 2014 quarter TSNH issued unsecured loan notes both with value of £63m (€75m) to ABJA, redeemable on 2 May 2023. The notes are interest bearing at an arm's length rate, which is payable on a semi annual basis. The cumulative finance costs for these notes were £9m (2016: £7m) in the year.

TSE

During 2016/17, TSUKH entered into a number of arrangements with TSE. These were as follows:

(a) The procurement of insurance and energy from external suppliers for onward sale by TSE to TSUKH on extended credit terms.

(b) An arrangement for extended payment terms was reached between TSUKH, TSE and certain suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by TSE.

As at 31 March 2017 £147m (2016: £210m) was owed to TSE under these arrangements collectively, with total financing costs in the period of £9m (2016: £14m).

Tata Sons

There is also a branding fee payable to Tata Sons under a brand equity and business promotion agreement, based on net income and profit before tax, with £8m being payable for 2017.

Aggregate compensation for key management personnel, being the TSE Board of Directors and other TSE Executive Committee members was as follows:

	2017 **£m**	2016 £m
Short-term employee benefits	**6**	4
Other long-term benefits	**3**	-
	9	4

34. Events after the reporting period

On 1 May 2017 TSUKH completed the sale of its Speciality Steels business to Liberty Steel for £nil profit on disposal.

On 10 July 2017 TSE signed a business purchase agreement with Liberty Pipes (Hartlepool) Limited and Liberty House Group Pte. Limited to divest the business and assets of the 42" and 84" SAW mills at Hartlepool along with assumed liabilities. The sale is estimated to realise a loss of £3m in the TSE consolidated income statement

35. Ultimate and immediate parent company

Tulip UK Holdings No.3 Limited is the company's immediate parent company, which is incorporated and registered in the UK.

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

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

36. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2017 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings
Steel producing, further processing or related activities:

Austria	
Kalzip GmbH (ii) (iii)	Gusshausstrasse 4, Wien, 1040, Austria
Belgium	
Société Européenne de Galvanisation (Segal) Sa (ii) (iii)	Chassée de Ramioul 50, Flemalle, Ivoz Ramet, 4400, Belgium
Tata Steel Belgium Packaging Steels N.V. (ii) (iii)	Walemstraat 38, Duffel, 2570, Belgium
Tata Steel Belgium Services N.V. (ii) (iii)	Coremansstraat 34, Berchem, 2600, Belgium
Brazil	
Tata Steel International (South America) Representacoes Limited (ii) (iii)	Santiago & Amboulos Advogados, Av. Rio Branco, 45 - 10° andar - Grupo 1013, Centro - Rio de Janeiro - RJ. CEP: 20090-003
Bulgaria	
Corus Building Systems Bulgaria AD (65%) (ii) (iii)	1 Gravishko schousse str, Pleven, Bulgaria
Canada	
Cogent Power Inc. (ii) (iii)	845 Laurentian Drive, Burlington, Ontario, Canada, L7N 3W7
Tata Steel International (Canada) Holdings Inc (ii) (iii)	Dentons Canada LLP, 1 Place Villa-Marie, Suite 3900, Montreal, Quebec, Canada
China	
Tata Steel Speciality Service Centre Suzhou Co Limited. (ii) (iii) (xiv)	Unit A, Building No 5, No 1 Qiming Road, Free Trade Zone B, Suzhou Industrial Park, Suzhou, China 215121
Tata Steel Speciality Service Centre Xian Co. Limited. (ii) (iii) (xiv)	A2-1, Xi'an Bonded Logistics Centre, 8 Gangwu Avenue, Xi'an International Trade and Logistics Park, Xi'an Shaanxi, China 710026
Czech Republic	
Tata Steel International (Czech Republic) S.R.O (ii) (iii)	Praha 2, Mala Stepanska 9, 120 00, Czech Republic
Denmark	
Tata Steel Denmark Byggsystemer A/S (ii) (iii)	Kaarsbergsvej 2, Postbox 136, Ebeltoft, DK 8400, Denmark
Tata Steel International (Denmark) A/S (ii) (iii)	Frederiksborgvej 23, DK-3520 Farum, Denmark
Finland	
Naantali Steel Service Centre OY (ii) (iii)	Rautakatu 5, 21110 Naantali, Finland
Tata Steel International (Finland) OY (ii) (iii)	Hitsaajankatu 22, 00810 Helsinki, Finland
France	
Cbs Investissement SAS (ii) (iii)	Rue Geo Lufbery, Chauny, 02300, France
Inter Metal Distribution (I.M.D.) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
SCI Corbeil Les Rives (67.31%) (ii) (iii)	Rue Decauville, Corbeil Essonnes, 91100, France
Tata Steel France Bâtiment et Systèmes SAS (ii) (iii)	Rue Geo Lufbery, BP 103, Chauny, 02300, France
Tata Steel France Holdings SAS (ii) (iii)	3, Allee des Barbanniers, Gennevilliers, 92632, France
Tata Steel International (France) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
Tata Steel Maubeuge SAS (ii) (iii)	22, Avenue Abbé Jean de Béco, Louvroil, 59720, France
Unitol SAS (ii) (iii)	1 Rue Fernand Raynaud, Corbeil Essonnes, 91814, France
Germany	
Augusta Grundstücks GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Blume Stahlservice GmbH (ii) (iii)	Umschlag 10, 45478 Mulheim, Germany
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
Corus Aluminium Verwaltungsgesellschaft mbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Corus Beteiligungs GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Degels GmbH (ii) (iii)	Königsberger Strasse 25, Neuss, 41460, Germany
Fischer Profil GmbH (ii) (iii)	Waldstrasse 67, Netphen, 57250, Germany
Hille & Müller GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
Kalzip GmbH (ii) (iii)	August-Horch-Strasse 20-22, Koblenz, 56070, Germany
S.A.B Profil GmbH (ii) (iii)	Industriestrasse 13, Niederaula, 36272, Germany
Service Center Gelsenkirchen GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel Germany GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel International (Germany) GmbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany

Trierer Walzwerk Verwaltunsgsgellschaft mbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany
Greece	
Tata Steel International Hellas SA (ii) (iii)	5, Pigis Avenue, Melissia, 15127, Athens, Greece
India	
Kalzip India Private Limited (ii) (iii)	310, 3rd Floor, Vipul Agora, M.G Road,Gurgaon, Haryana -122002, India
Tata Steel International (India) Limited. (ii) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
Ireland (Republic of)	
Corus Ireland Limited. (ii) (iii)	1 Stokes Place, St Stephens Green, Dublin 2, Ireland
Gamble Simms Metals Limited. (ii) (iii)	Tata Steel service centre, steel house, bluebell industrial estate, bluebell avenue, Dublin 12
Lister Tubes Limited. (ii) (iii)	Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Stewarts & Lloyds Of Ireland Limited. (ii) (iii)	1 Stokes Place, St Stephens Green, Dublin 2
Walkersteelstock Ireland Limited. (ii) (iii)	Tata steel service centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Isle of Man	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
Italy	
Kalzip Italy Srl (ii) (iii)	Via santa radegonda 11, 20121 Milan, Italy
Tata Steel International (Italia) Srl (ii) (iii)	Via Giovanni Gioacchino Winckelmann, 2, Milano MI, Italy
Latvia	
Tata Steel Latvia Buildings Systems SIA (ii) (iii)	Darzciema Iela 60, Riga, Lv1073, Latvia
Mexico	
Tata Steel International Mexico SA de CV (ii) (iii)	Era 2, Real de Anahuac, 66600 Ciudad Apodaca, Nuevo Leon, Mexico
Netherlands	
Beheermaatschappij Industriële Produkten B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
British Steel Nederland International B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
C. V. Bénine (76.93%) (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Corus Primary Aluminium B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Demka B.V. (ii) (iii) (vii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Esmil B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Huizenbezit Breesaap B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
S.A.B Profiel B.V. (ii) (iii)	Produktieweg 2-3a, Ijsselstein, 3401 Mg, Netherlands
Service Centre Maastricht B.V. (ii) (iii)	Fregatweg 42, 6222 Nz, Maastricht, Netherlands
Staalverwerking En Handel B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Europe Distribution B.V. (ii) (iii)	Postbus 10000, IJmuiden, 1970 CA, Netherlands
Tata Steel Europe Metals Trading B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel IJmuiden B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel International (Benelux) B.V. (ii) (iii)	71 Ankerkade, Maastricht, 6222 NL, Netherlands
Tata Steel Nederland B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Consulting & Technical Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Star-Frame B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Technology B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Tubes B.V. (ii) (iii)	Souvereinstraat 35, Oosterhout, 4903 Rh, Netherlands
Tata Steel Netherlands Holdings B.V. (i) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Nigeria	
Tata Steel International (Nigeria) Limited. (ii) (iii)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
Norway	
Norsk Stal Tynnplater AS (ii) (iii)	Habornveien 60, PO Box 1403, N1631, Gamle Fredrikstad, 1630, Norway
Tata Steel Norway Byggsystemer A/S (ii) (iii)	Roraskogen 2, Skien, N 3739, Norway
Poland	
Corus Tubes Poland Spólka z.o.o (ii) (iii)	Ul. Grabiszynska, Wrocla, 53-234, Poland
Tata Steel International (Poland) Spólka z.o.o (ii) (iii)	7, Ul. Piastowska, Katowice, 40-005, Poland

Romania	
Corus International Romania SRL (ii) (iii)	169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania
Russia	
Corus Steel Service STP LLC (ii) (iii)	Office 503, liter A, 34 line 9 V. I., Saint-Petersburg, 199004, Russia
Singapore	
Kalzip Asia Pte Limited (ii) (iii)	112 Robinson Road, #05-01, Singapore, 068902, Singapore
South Africa	
TS South Africa Sales Office Proprietary Limited (ii) (xii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
Spain	
Kalzip Spain S.L. (ii) (iii)	C/Rosario Pino 14-16, 9e Planta, Madrid, 28016, Spain
Layde Steel S.L. (ii) (iii)	Av. Zugazarte 52, Las Arenas, Vizcaya, 48930, Spain
Tata Steel International Iberica SA (ii) (iii)	Calle Rosario Pino 14-16, Torre Rioja, Madrid, 28020, Spain
Sweden	
Erik Olsson & Soner Forvaltnings AB (ii) (iii)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden
Halmstad Steel Service Centre AB (ii) (iii)	Stationsgatan 55, 302 50 Halmstad, Sweden
Norsk Stal Tynnplater AB (ii) (iii)	Box 17544, 200 10 Malmo Sweden
Skruv Erik AB (ii) (iii)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden
Surahammar Bruks AB (ii) (iii)	Box 201, S-735 23, Surahammar, Sweden
Tata Steel International (Sweden) AB (ii) (iii)	Barlastgatan 2, 414 63 Gothenburg, Sweden
Tata Steel Sweden Byggsystem AB (ii) (iii)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden
Switzerland	
Montana Bausysteme AG (ii) (iii)	Durisolstrasse 11, Villmergen, 5612, Switzerland
Tata Steel International (Schweiz) AG (ii) (iii)	Wartenbergstrasse 40, Basel, 4052, Switzerland
Turkey	
Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Elmadag Harbiye Mahalessi Cumhuriyet Caddesi No: 48, Pegasus Evi Kat:7, Sisli, ISTANBUL, Turkey
UAE	
Kalzip FZE (ii) (iii)	PO Box 261379, Dubai, UAE
Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
Ukraine	
Corus Ukraine LLC (ii) (iii)	Office 16, Building 11/23B, Chekhivskiy Provulok / Vorovskogo Street, 01054 Kiev, Ukraine
United Kingdom	
Automotive Laser Technologies Limited (ii) (iii)	30 Millbank London SW1P 4WY
B S Pension Fund Trustee Limited (ii) (iii)	17th Floor, 125, Old Broad Street, London, EC2N 1AR
Bell & Harwood Limited (ii) (iii)	30 Millbank London SW1P 4WY
Blastmega Limited (ii) (iii) (vii)	30 Millbank London SW1P 4WY
Bore Samson Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Bore Steel Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Guide Rails Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
British Steel Corporation Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Directors (Nominees) Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Engineering Steels (Exports) Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Service Centres Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Trading Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Tubes Stockholding Limited (ii) (iii)	30 Millbank London SW1P 4WY
C Walker & Sons Limited (ii) (iii)	30 Millbank London SW1P 4WY
Catnic Limited (ii) (iii) (viii) (ix)	30 Millbank London SW1P 4WY
Cogent Power Limited (ii) (iii) (x)	Orb Works, Stephenson Street, Newport, Gwent, NP19 0RB
Color Steels Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel Uk Limited, Po Box 101 Weldon Road, Corby, Northamptonshire, Nn17 5ua
Cordor (C& B) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus CNBV Investments (ii) (iii)	30 Millbank London SW1P 4WY

Company	Registered address
Corus Cold Drawn Tubes Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels (UK) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Holdings Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
Corus Engineering Steels Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
Corus Engineering Steels Overseas Holdings Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Pension Scheme Trustee Limited (ii) (iii)	British Steel Pend Fund, 17th Floor 125 Old Broad Street, London, EC2N 1AR
Corus Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Holdings Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus International (Overseas Holdings) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Investments Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus Large Diameter Pipes Limited (ii) (iv) (v) (viii)	30 Millbank London SW1P 4WY
Corus Liaison Services (India) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Management Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Property (ii) (iii)	30 Millbank London SW1P 4WY
Corus Service Centre Limited (ii) (iii)	Hull's Hill, Lisburn, Co.Atrim, BT28 2SR
Corus UK Healthcare Trustee Limited (ii) (iii)	30 Millbank London SW1P 4WY
Cpn (85) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Dsrm Group Plc. (ii) (iii)	30 Millbank London SW1P 4WY
Europressings Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
Federated Property Services Limited (ii) (iii)	17th Floor 125 Old Broad Street, London EC2N 1AR
Firsteel Engineering Limited (ii) (iii)	30 Millbank London SW1P 4WY
Firsteel Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Firsteel Holdings Limited (ii) (iii)	30 Millbank London SW1P 4WY
Grant Lyon Eagre Limited (ii) (iii)	30 Millbank London SW1P 4WY
H E Samson Limited (ii) (iii)	30 Millbank London SW1P 4WY
Hadfields Holdings Limited (62.5%) (ii) (iii)	30 Millbank London SW1P 4WY
Hammermega Limited (ii) (iii)	30 Millbank London SW1P 4WY
Harrowmills Properties Limited (ii) (iii)	30 Millbank London SW1P 4WY
Kalzip Limited (ii) (iii)	Haydock Lane, Haydock, St Helens, Merseyside, WA11 9TY
London Works Steel Company Limited (ii) (iii)	30 Millbank London SW1P 4WY
Midland Steel Supplies Limited (ii) (iii)	30 Millbank London SW1P 4WY
Nationwide Steelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Orb Electrical Steels Limited (ii) (iii)	Orb Works, Stephenson Street, Newport, NP19 0RB
Ore Carriers Limited (ii) (iv) (v) (viii)	30 Millbank London SW1P 4WY
Pension services Limited (ii) (iii)	17th Floor 125 Old Broad Street, London, EC2N 1AR
Plated Strip International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Precoat International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Precoat Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
Round Oak Properties Limited (ii) (iv) (xi)	15 Great Marlborough Street, London, W1V 1AF
Round Oak Steelworks Limited (ii) (iii)	30 Millbank London SW1P 4WY
Runblast Limited (ii) (iii)	30 Millbank London SW1P 4WY
Runmega Limited (ii) (iii)	30 Millbank London SW1P 4WY
Seamless Tubes Limited (ii) (iii)	30 Millbank London SW1P 4WY
Speciality Steel UK Limited (ii) (iii) (xiii)	7 Fox Valley Way, Stocksbridge, Sheffield, S36 2JA
Steel Stockholdings Limited (ii) (iv) (v)	30 Millbank London SW1P 4WY
Steelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Stewarts And Lloyds (Overseas) Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Swinden Housing Association (ii) (iii)	Swinden House, Moorgate, Rotherham, South Yorkshire, S60 3AR, England
Tata Steel UK Consulting Limited (ii) (iii)	30 Millbank London SW1P 4WY
Tata Steel UK Limited (ii) (iii)	30 Millbank London SW1P 4WY
The Newport And South Wales Tube Company Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
The Stanton Housing Company Limited (ii) (iii)	30 Millbank London SW1P 4WY
The Templeborough Rolling Mills Limited (ii) (iv) (v)	30 Millbank London SW1P 4WY
Toronto Industrial Fabrications Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
U.E.S. Bright Bar Limited (ii) (iii)	30 Millbank London SW1P 4WY
UK Steel Enterprise Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
UKSE Fund Managers Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
Walker Manufacturing And Investments Limited (ii) (iii)	30 Millbank London SW1P 4WY
Walkersteelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Westwood Steel Services Limited (ii) (iii)	30 Millbank London SW1P 4WY
Whitehead (Narrow Strip) Limited (ii) (iii)	30 Millbank London SW1P 4WY

USA	
Apollo Metals, Limited. (ii) (iii)	1001 Fourteenth Avenue, 18018-0045 Bethlehem, USA
Cogent Power Inc. (ii) (iii)	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, New Castle County, United States
Hille & Müller USA, Inc. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Hoogovens Usa, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Kalzip Inc. (ii) (iii)	161 Lincolnway, Suite C, Valparaiso, IN 46383 USA
Oremco, Inc. (ii) (iii)	60 E42 Street, New York, N.Y., 10165, United States
Rafferty-Brown Steel Co Inc Of Conn. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel International (Americas) Holdings Inc. (ii) (iii)	Wilmington Trust SP Services, Inc, 1105 N Market Place, Wilmington, DE, 19899, USA
Tata Steel International (Americas) Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel USA, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Thomas Processing Company (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Thomas Steel Strip Corp. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States

Classification key:

(i) Directly owned by Tata Steel UK Holdings Limited
(ii) Indirectly owned by Tata Steel UK Holdings Limited
(iii) Ordinary shares
(iv) Ordinary A shares
(v) Ordinary B shares
(vi) Ordinary C shares
(vii) Preference shares
(viii) Deferred shares
(ix) Deferred A shares
(x) Cumulative redeemable preference shares
(xi) Non-cumulative preference shares
(xii) No share capital
(xiii) Company sold 1 May 2017
(xiv) Company sold 4 July 2017

All subsidiaries are included in the consolidation of these accounts.

Unless indicated otherwise, subsidiary undertakings are wholly owned within the Group.

Joint ventures, Joint operations and associates

Company	Address
England and Wales	
Afon Tinplate Company Limited (64%) (i) (iv) (vi) (JV)	Afon Works, Bryntywod, Swansea, UK, SA5 7LN
Air Products Llanwern Limited (50%) (i) (ii) (JO)	Hersham Place Technology Park, Molesey Road, Walton On Thames, Surrey, KT12 4RZ
BSR Pipeline Services Limited (50%) (i) (ii) (JO)	PO Box 101, Po Box 101 Weldon Road, Corby, Northamptonshire, NN17 5UA
Caparo Merchant Bar plc (25%) (i) (ii) (ix) (JV)	Caparo House Scunthorpe Steel Works, Brigg Road, Scunthorpe, South Humberside, England, DN16 1XA
Fabsec Limited (25%) (i) (iv) (JV)	Cellbeam Ltd, Unit 516 Avenue E East, Thorp Arch Estate, Wetherby, West Yorkshire, England, LS23 7DB
ISSB Limited (50%) (i) (ii) (AS)	Corinthian House, 17 Lansdowne Road, Croydon, Greater London, CR0 2BX
Texturing Technology Limited (50%) (i) (iii) (JO)	PO Box 22, Texturing Technology Ltd, Central Road, Tata Steel Site Margam, Port Talbot, West Gamorgan, Wales, SA13 2YJ
Ravenscraig Limited (33%) (i) (iii) (JV)	15 Atholl Crescent, Edinburgh, EH3 8HA
Greece	
Tata Elastron Steel Service Center SA (50%) (i) (ii) (x) (JV)	Industrial Zone Thessaloniki, Sindos, 570 22, Thessaloniki, Greece
Netherlands	
Gietwalsonderhoudcombinatie B.V. (50%) (i) (ii) (AS)	Staalstraat 150, 1951 JP Velsen-Noord
Hoogovens Court Roll Surface Technologies VOF (50%) (i) (viii) (JO)	WENCKEBACHSTRAAT 1, VELSEN NOORD, 1951 JZ, Netherlands
Hoogovens Gan Multimedia S.A. De C.V. (50%) (i) (vii) (AS)	Ave. I. Zaragoza 1300 sur, zona centro, Monterrey, Nueva Leon, c.p. 64000, Mexico
Industrial Rail Services Ijmond B.V. (50%) (i) (ii) (JV)	WENCKEBACHSTRAAT 1, VELSEN NOORD, 1951 JZ, Netherlands
Laura Metaal Holding B.V. (49%) (i) (ii) (JV)	Rimburgerweg 40, 6471 XX Eygelshoven, Kerkrade, The Netherlands
Wupperman Staal Nederland B.V. (30%) (i) (ii) (AS)	Vlasweg 15, 4782 PW Moerdijk, Netherlands
France	
Albi Profils SAS (30%) (i) (ii) (AS)	13 Rue Philippe Lebon, 81000 Albi, France
Isolation Du Sud SAS (33%) (i) (ii) (AS)	240 Avenue Joseph Boitelet, Cavaillon, 84300, France
Turkey	
Tata Steel Ticaret AS (50%) (i) (ii) (JV)	Cumhuriyet cad. No:48, Pegasus Binası Kat 7, 34367 Harbiye – Istanbul, Turkey

Financial information relating to joint venture and associate companies is disclosed in Note 10.

Classification key:

(i) Owned by the Group
(ii) Ordinary shares
(iii) Ordinary A shares
(iv) Ordinary B shares
(v) Voting shares
(vi) Preference shares
(vii) 455,000 shares of the variable part ; 25,000 of the minimum fixed part of the capital stock
(viii) Partnership by agreement
(ix) Joint venture sold 23 June 2017
(x) Joint venture sold 10 July 2017

(JV) Joint Venture
(JO) Joint Operation
(AS) Associate

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