TATA STEEL

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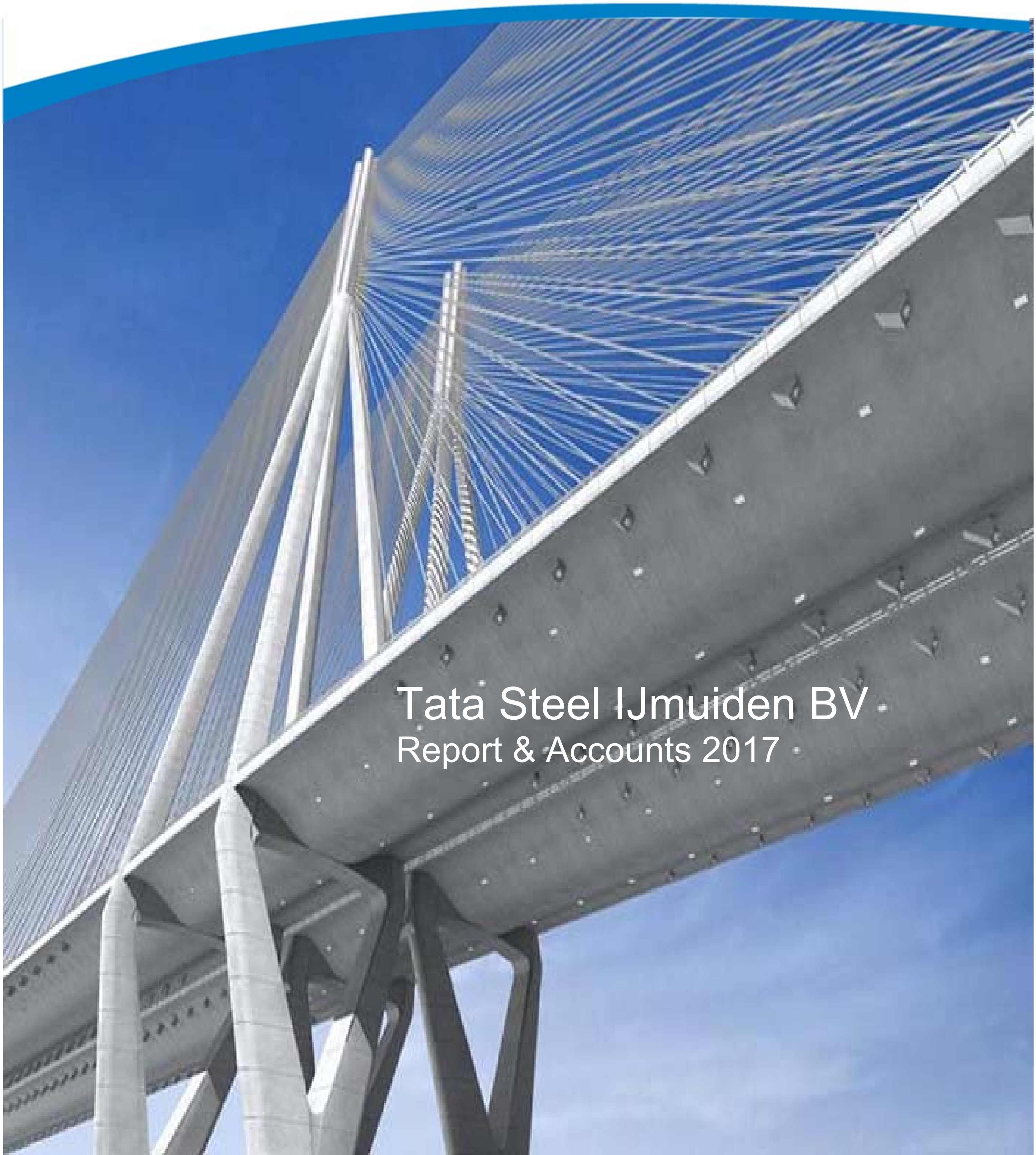

Tata Steel IJmuiden BV

Report & Accounts 2017

Contents

Introduction

The Board of Directors (BoD) herewith presents the annual report together with the audited accounts of Tata Steel IJmuiden B.V. ('TSIJ' or the 'Company') for the year ended 31 March 2017 (FY17).

TSIJ is a wholly-owned subsidiary of Tata Steel Nederland B.V ('TSN'). TSN is a wholly-owned subsidiary of Tata Steel Netherlands Holdings BV ('TSNH'), an unlisted company based in the Netherlands. TSNH is owned by Tata Steel Europe Limited ('TSE' or 'the Group').

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.

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

The BoD would like to express its appreciation to all TSIJ employees for their contributions to the Company's performance in FY17 and their support in the gradually improving but still rather difficult economic circumstances.

Principal business activities

TSIJ comprises Strip Products Mainland Europe and the activities in IJmuiden of Tata Steel Packaging and Tata Steel Colors.

TSIJ produces carbon steel by the basic oxygen steelmaking method at one integrated steelworks in IJmuiden, the Netherlands. This plant produced a total of 6.9mt of steel products in the current year (FY16: 7.1mt). Further processing is done at other TSIJ and TSN subsidiaries.

Most of the steel is used in three markets: packaging, construction and the automotive industry. The Company mostly serves the European market, which takes the majority of the output.

The business, objectives and strategy

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

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

- A top quartile cost position in Europe;
- Continuously improving the service performance;
- Increasing the sales volumes of speciality products;
- Continuing to move the product sales mix to more attractive automotive and construction markets; and
- Capturing growth opportunities with new and existing customers.

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

Economic climate

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

Global steel market

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

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

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

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

Raw materials

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

Trade

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

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

Financial review

Operating profit increased from €210m in FY16 to €322m in FY17. Net turnover increased to €3,579m from €3,476m in FY16. The profit before taxation amounted to €324m and the tax charge to €(89)m. The net profit after taxation amounted to €235m, an increase of €76m compared with FY16.

Capital and reserves increased by €244m to €2,368m at the end of FY17.

The increase of €244m consisted of:

- The profit after taxation of €235m; and
- Other comprehensive income of €9m consisting of movements in the cash flow hedge reserve.

Capital expenditure

Capital expenditure on tangible fixed assets (including loose plant, tools, and spares) in FY17 amounted to €295m (FY16: €213m). Significant capital expenditure has been committed in the Strip Products Mainland Europe business on the Strategic Asset Roadmap Program (STAR), to support the strategic growth of differentiated, high value products in the automotive, lifting & excavating and energy & power market sectors. During FY17, these included preparation for the installation of a new caster (continuous caster 23) to allow enhanced casting capabilities for advanced products, and the replacement of a coiler at the Hot Strip Mill with a Heavy Duty coiler. Other major projects ongoing throughout the year in Strip Products Mainland Europe included the replacement of converter 21 and 22 and the new coke oven gas holder project. In the Packaging business, a major capital project ongoing during FY17 included the introduction of Protact® NG, a multi-layered polymer system that meets increasingly stringent food packaging requirements.

Business review

Health and safety

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

Positively there were no fatal accidents for the fifth consecutive year in 2016/17. For the programme 'Taskforce Safety' in IJmuiden a review was performed to further improve its effectiveness. Senior management has had a training in process safety, which is now a regular topic in local safety audits. A group of forty maintenance contractors and Tata Steel IJmuiden management have now combined efforts to improve the safety performance of contractors. One of the first successes is the construction of the Safety Centre where both own staff and contractors employees perform their safety induction. Despite all the efforts, TSIJ's safety performance as measured by the combined LTIF remained stable in 2016/17 with 0,96 compared to 0,97 in 2015/16. TSIJ has increased its safety standards by focussing on process controls, which addresses continuous awareness and monitoring of all operating processes. The sickness rate of 4.7% slightly improved this year compared to 4.9% in the prior year. In IJmuiden the contract with the new occupational health provider "Zorg van de Zaak" was implemented in February 2017.

Tata Steel Strip Products MLE

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

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

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

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

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

Tata Steel Packaging

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

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

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

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

Tata Steel Colors IJmuiden

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

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

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

Research & development

Research & Technology programme

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

- HIsarna technology to produce steel from lower grade raw materials without the need for coke making or agglomeration processes. This will improve efficiency and reduce energy consumption as well as reduce CO_2 emissions.
- Graphene based value add products focused on the development of high value niche market segments for coated products.
- Physical vapour deposition, a cold zinc coating technology that allows an extension of Tata Steel's zinc coated product range towards the future UHSS automotive grades well above 1000 MPa.

Product market sector developments

A key element of the Company'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, lifting & excavation, construction and energy & power sectors.

During FY17 20 new products were introduced into the Company's product portfolio (FY16: 31) and included the following:

- GI FF with prime lubricant treatment which improves press performance during the deep drawing of GI Full Finish. The product enables a switch from EG to GI and stimulates the sales of GI FF Serica®.
- DP800 GI HyperForm for automotive end use.
- XPF 800, a revolutionary new grade for application in automotive structures, that combines high strength with improved hole expansion capabilities.
- PROTACT® width extension to further expand application opportunities in this growth market.
- Extension of the Coretinium® product line, a new innovative product that combines light weighting with high stiffness to offer a viable, lightweight and durable alternative for customers in the automotive, transport and manufactured goods sectors.
- Colorcoat purlins to strengthen the supply chain for branded organic coated products by developing additional routes to market.
- Woodgrain print, a differentiated OCS product strengthening TSN's position in the manufactured goods sector.

People

Pension scheme

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

Employment policies

There are established arrangements for communication and consultation with Works Councils and Trade Union representatives, to systematically provide employees with information on matters of concern to them. During the year several requests for advice on organisational and financial subjects were discussed and concluded with the Central Works Council.

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

Environment

Policy

TSIJ 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 TSIJ. To implement its environmental policy, systems are in place to manage and minimise the effects of TSIJ'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. TSIJ 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, TSIJ's products are also part of the solution to climate change. Steel has inherent environmental advantages, as it is durable, adaptable, reusable and recyclable. As a result, CO_2 emissions in steel production can be offset by reductions in direct & indirect emissions through the life cycle of steel products, achieved through effective product development and design and through recycling at end-of-life. Within the European steel industry the IJmuiden works is recognised as one of the leading facilities in CO_2 reduction.

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

Energy efficiency and CO_2 emissions

In the Netherlands, Tata Steel currently participates in a voluntary agreement with the Dutch government regarding energy efficiency improvements over the period 2013 to 2016 inclusive. The primary requirement of the agreement is an energy efficiency improvement of 2% per annum, covering both energy used within the manufacturing process and energy saved across the product life cycle. The total energy efficiency improvement in 2016 was 4.9% (2014: 4.0%).

Environmental Permit issues

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

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

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

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

Environmental complaints

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

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

Regional developments

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

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

National and European Policy developments

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

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

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

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

Principal risks and risk management

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

As a major subsidiary of TSN, TSIJ's businesses are annually subject to TSN's robust process to identify and monitor the significant risks and associated mitigating measures for its operations and activities, including those of TSIJ.

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

At TSN level, mitigating measures are identified and put in place. TSIJ applies the same mitigating measures. Full details of the critical risks of TSN can be seen in the TSN Report & Accounts. This document is available from the office of Tata Steel Nederland BV, PO Box 10000, 1970 CA IJmuiden, Netherlands.

Acquisitions and disposals

There were no acquisitions nor disposals in FY17.

Composition of the Board of Directors

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

Prospects for 2017/18

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

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

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

Board of Directors

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 12 July 2017

Income statement

For the financial year ended 31 March

	Note	**2017 €m**	2016 €m
Revenue	1	**3,579**	3,476
Operating costs	2	**(3,257)**	(3,266)
Operating profit		**322**	210
Finance costs	5	**(2)**	(2)
Finance income	5	**4**	2
Profit before taxation		**324**	210
Taxation	6	**(89)**	(51)
Profit after taxation		**235**	159

All references to 2017 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 25 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 an integral part of these accounts appear on pages 19 to 34.

Statement of comprehensive income

For the financial year ended 31 March

	Note	**2017 €m**	2016 €m
Profit after taxation		**235**	159
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined pension plan	24	**-**	(47)
Income tax relating to items that will not be reclassified		**-**	12
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) arising on cash flow hedges	16	**12**	(10)
Income tax relating to items that may be reclassified	16	**(3)**	3
Other comprehensive loss for the year net of tax		**9**	(42)
Total comprehensive income for the year		**244**	117

Notes and related statements forming an integral part of these accounts appear on pages 19 to 34.

Balance sheet

As at 31 March

	Note	2017 €m	2016 €m
Non-current assets			
Intangible assets	7	**99**	83
Property, plant and equipment	8	**1,489**	1,362
Investments in subsidiaries, joint ventures and associates	9	**67**	62
Deferred tax asset	18	**30**	-
		1,685	1,507
Current assets			
Inventories	10	**821**	506
Trade and other receivables	12	**621**	541
Current tax assets	11	**2**	31
Short term investments	13	**184**	416
Cash and short term deposits	13	**146**	116
		1,774	1,610
TOTAL ASSETS		**3,459**	3,117
Current liabilities			
Borrowings	15	**(6)**	(29)
Trade and other payables	14	**(927)**	(666)
Current tax liabilities	11	**(38)**	(169)
Short term provisions and other liabilities	17	**(6)**	(7)
		(977)	(871)
Non-current liabilities			
Borrowings	15	**(24)**	(23)
Deferred tax liabilities	18	**-**	(15)
Provisions and other liabilities	17	**(82)**	(74)
Deferred income	19	**(8)**	(10)
		(114)	(122)
TOTAL LIABILITIES		**(1,091)**	(993)
NET ASSETS		**2,368**	2,124
Equity			
Called up share capital	20	**113**	113
Hedging reserve		**11**	2
Retained earnings		**2,244**	2,009
TOTAL EQUITY		**2,368**	2,124

Notes and related statements forming an integral part of these accounts appear on pages 19 to 34.

Statement of changes in equity

	Share capital €m	Hedging reserve €m	Retained earnings €m	**Total €m**
Balance at 31 March 2015	113	9	1,985	**2,107**
Profit after taxation	-	-	159	**159**
Other comprehensive loss for the year	-	(7)	(35)	**(42)**
Total comprehensive income/(loss) for the year	-	(7)	124	**117**
Dividends	-	-	(100)	**(100)**
Balance at 31 March 2016	113	2	2,009	**2,124**
Profit after taxation	-	-	235	**235**
Other comprehensive income for the year	-	9	-	**9**
Total comprehensive income/(loss) for the year	-	9	235	**244**
Balance at 31 March 2017	113	11	2,244	**2,368**

Notes and related statements forming an integral part of these accounts appear on pages 19 to 34.

Presentation of accounts and accounting policies

I Introduction

Tata Steel IJmuiden BV ('TSIJ') is located in IJmuiden, municipality of Velsen, the Netherlands, forms part of the Tata Steel Group. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on the Mumbai Stock Exchange and the National Stock Exchange of India, and with global depository receipts listed on the London and the Luxembourg Stock Exchanges.

The immediate parent company of Tata Steel IJmuiden B.V. is Tata Steel Nederland B.V. also located in IJmuiden, municipality of Velsen.

The 2017 Annual Accounts of Tata Steel IJmuiden B.V. have been authorised for issue by the Board of Directors on 12 July 2017.

II Basis of preparation

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

This Annual Report of Tata Steel IJmuiden B.V. does not include consolidated accounts as the Company has applied the exemption allowed by IAS 27 "Consolidated and Separate Financial Statements" and article 10 "Presentation of consolidated financial statements". The annual accounts of Tata Steel IJmuiden B.V. and its group companies are part of the consolidated accounts of Tata Steel Nederland B.V.

In accordance with RJ 360.104 no cash flow statement is presented in these financial statements as the immediate parent company Tata Steel Nederland BV provides all the capital to the Company and the consolidated financial statements of Tata Steel Nederland BV, containing a consolidated cash flow statement, are filed with the Chamber of Commerce in Amsterdam under number 34005278.

Tata Steel IJmuiden B.V. applies the exemption as referred to in Article 382a part 3, Book 2 of the Dutch Civil Code to not disclose auditors fees in its financial statements.

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

III New standards and interpretations applied

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

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

** periods commencing on or after*

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

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

IV New standards and interpretations not applied

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

		Effective Date*
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IFRS 17	Insurance Contracts	1 Jan 2021
IFRS 2 (Amendments)	Share-Based Payment	1 Jan 2018
IFRS 4 (Amendments)	Insurance Contracts	1 Jan 2018
IFRS 15 (Amendments)	Revenue from Contracts with Customers	1 Jan 2018
IAS 7 (Amendments)	Statement of Cash Flows	1 Jan 2017
IAS 12 (Amendments)	Income Taxes	1 Jan 2017

IAS 40 (Amendments)	Investment Property	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
Annual Improvements	2014-2016	1 Jan 2018

** periods commencing on or after*

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

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

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

V Use of estimates and critical accounting judgements

The preparation of accounts in accordance with IFRS requires management to make estimates and assumptions that affect the:
(i) reported amounts of assets and liabilities;
(ii) disclosure of contingent assets and liabilities at the date of the accounts; and
(iii) reported amounts of income and expenses during the period.

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

A significant part of the Company'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.

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 Company's annual plans and future forecasts. Further information can be found in note 18.

The Company's retirement benefit obligations for defined benefit pension schemes and long term employee benefits are subject to a number of judgements including discount rate, inflation, salary growth and mortality rates. Significant judgement is required when setting these criteria and a change in each of these assumptions would have a significant impact on the amounts recorded within the Company balance sheet and income statement. The Company sets these judgements based on previous experience and third party actuarial advice. Further details on the Company's retirement benefit obligations are included within note 24.

Estimates in calculating provisions for environmental remediation and employee benefits are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of these costs. Further details on the Group's provisions can be found in note 17.

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

VI Critical accounting policies

(a) Property, plant and equipment

Property, plant and equipment is recorded at original cost less accumulated depreciation and any recognised impairment loss, with the exception of land. Cost includes professional fees and, for assets constructed by the Company, 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 Company'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 Company 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 Company 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, but with the exception of land. 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 Company 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 Company 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 Company's long term weighted average cost of capital ('WACC'), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(c) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

(d) Retirement benefit costs

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

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

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

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

(e) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Company 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.

The Company participates in the EU Emissions Trading Scheme, 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.

VII Other accounting policies

(a) 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.

(b) Government grants

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

(c) Insurance

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

(d) Financing items

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

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

(e) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into euros at the quoted rates of exchange ruling at the end of each reporting period. Income statement items and cash flows are translated into euros at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Company enters into forward contracts and options (see (f) below for details of the Company's accounting policies in respect of such derivative financial instruments).

(f) Financial instruments

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

(i) Trade receivables

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

(ii) Other investments

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

(iii) Financial liabilities and equity related instruments

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

(iv) Bank borrowings

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

(v) Trade payables

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

(vi) Equity instruments

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

(vii) Derivative financial instruments and hedge accounting

In the ordinary course of business the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to fluctuations in foreign exchange rates and base metal prices. The instruments are confined principally to forward foreign exchange contracts and London Metal Exchange (LME) contracts. The instruments are employed as economic hedges of transactions included in the accounts or forecast for firm contractual commitments. These contracts do not generally extend beyond 6 months for foreign exchange contracts and 12 months for commodity contracts. The creditworthiness of the counterparties is being monitored on a regular basis.

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

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

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

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

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

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

(g) 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 Company. In this case they are measured initially at fair value on acquisition or purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks and software are expensed in profit and loss as incurred.

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

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

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

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

(h) Leases

The Company 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 TSIJ 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 Company 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.

(i) 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.

(j) 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.

(k) Equity

Share capital: Ordinary shares are classified as equity.

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s annual accounts in the period in which the dividends are approved by the Company’s shareholders.

Notes to the accounts

1. Revenue

	2017 €m	2016 €m
Revenue by destination:		
Netherlands	**667**	659
Europe excluding the Netherlands	**2,290**	2,220
North America	**515**	481
Rest of the world	**107**	116
	3,579	3,476

2. Operating costs

	2017 €m	2016 €m
Costs by type:		
Raw materials and consumables	**1,584**	1,594
Maintenance costs (excluding own labour)	**290**	303
Other external charges (including fuels and utilities, hire charges and carriage costs)	**483**	504
Employment costs (Note 4)	**681**	556
Depreciation, amortisation and impairment (Note 6,7)	**191**	191
Regional development and other grants released (Note 19)	**(2)**	(2)
Other operating items (including rents, rates, insurance and general expenses)	**228**	149
Changes in stock of finished goods and work in progress	**(163)**	7
Own work capitalised	**(35)**	(29)
Profit on disposal of subsidiary company	**-**	(7)
	3,257	3,266

	Operating costs before restructuring, impairment and disposals €m	Restructuring, impairment and disposals €m	**Total €m**
The above costs in 2017 include:			
Raw materials and consumables	1,584	-	**1,584**
Maintenance costs (excluding own labour)	290	-	**290**
Other external charges (including fuels and utilities, hire charges and carriage costs)	483	-	**483**
Employment costs (Note 4)	680	1	**681**
Depreciation and amortisation	180	11	**191**
Regional development and other grants released	(2)	-	**(2)**
Other operating items (including rents, rates, insurance and general expenses)	228	-	**228**
Changes in inventory of finished goods and work in progress	(163)	-	**(163)**
Own work capitalised	(35)	-	**(35)**
	3,245	12	**3,257**

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

	2017 €m	2016 €m
The above costs are stated after including:		
Amortisation of other intangible fixed assets (Note 7)	**7**	8
Depreciation of owned assets (Note 8)	**166**	174
Impairment losses related to property, plant and equipment (Note 3)	**11**	-
Depreciation of assets held under finance leases (Note 8)	**7**	6
Operating leases:		
Plant and machinery	**9**	12
Leasehold property	**9**	10
Costs of research and development (gross)	**29**	32
Impairments against trade receivables (Note 12)	**-**	3
Emission rights deficit	**11**	-

3. Restructuring and impairment costs

	2017 €m	2016 €m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	**1**	-
Impairment losses related to property, plant and equipment (Note 8)	**11**	-
	12	-

4. Employees

	2017 €m	2016 €m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**547**	487
Social security costs	**63**	60
Pension costs (Note 24)	**70**	9
Redundancy and related costs (Note 3)	**1**	-
	681	556

The average number of the Company's active employees was 7,824 (2015: 7,884). All employees are located in the Netherlands. The analysis of the headcount by business is: Strip Products MLE 6,860, Packaging IJmuiden 956 and other 8.

(i) Pension costs can be further analysed as follows:

	2017 €m	2016 €m
Defined benefit scheme (Note 24)	**-**	29
Settlement of SPH defined benefit scheme (Note 24)	**-**	(69)
Defined contribution scheme (Note 24)	**70**	49
	70	9

5. Financing items

	2017 €m	2016 €m
Finance costs		
Interest expense: Finance leases	**(2)**	(2)
	(2)	(2)
Finance income		
Dividends received	**4**	2
	4	2
	2	-

6. Taxation

	2017 €m	2016 €m
Corporation tax	**84**	34
Prior year charge	**51**	2
Current tax	**135**	36
Deferred tax (credit)/charge	**(4)**	15
Prior year deferred tax credit	**(42)**	-
Taxation	**89**	51

In addition to the total taxation charged to the income statement, a tax charge of €3m (2016: a credit of €15m) was recognised directly in other comprehensive income in the year.

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

The total charge for the year can be reconciled as follows:	2017 €m	2016 €m
Profit before taxation	**324**	210
Profit before taxation multiplied by the applicable corporation tax rate of 25.0% (2016: 25.0%)	**81**	53
Effects of:		
Adjustments to current tax in respect of prior periods	**9**	2
Non-taxable income	**(3)**	(3)
Other differences	**2**	(1)
Total taxation	**89**	51

7. Intangible assets

2017	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	39	73	51	**163**
Additions	23	-	-	**23**
Disposals	(1)	(35)	-	**(36)**
Change in classification	-	-	-	**-**
Cost at end of period	61	38	51	**150**
Amortisation at beginning of period	25	55	-	**80**
Charge for the period	1	6	-	**7**
Disposals	(1)	(35)	-	**(36)**
Amortisation at end of the period	25	26	-	**51**
Net book value at end of the period	36	12	51	**99**

2016	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	29	71	10	**110**
Additions	8	5	41	**54**
Disposals	(1)	-	-	**(1)**
Change in classification	3	(3)	-	**-**
Cost at end of period	39	73	51	**163**
Amortisation at beginning of period	25	48	-	**73**
Charge for the period	1	7	-	**8**
Disposals	(1)	-	-	**(1)**
Amortisation at end of the period	25	55	-	**80**
Net book value at end of the period	14	18	51	**83**

8. Property, plant and equipment

2017	Land and buildings €m	Plant and machinery €m	Assets under construction €m	**Total €m**
Cost at beginning of period	748	5,569	260	**6,577**
Additions	-	54	268	**323**
Transfers	8	122	(130)	**-**
Disposals	(4)	(42)	-	**(46)**
Cost at end of period	752	5,703	398	**6,854**
Depreciation at beginning of period	612	4,581	22	**5,215**
Charge for the period	11	162	-	**173**
Impairment charge for the period	-	10	1	**11**
Disposals	(4)	(31)	-	**(35)**
Depreciation at end of period	619	4,722	23	**5,364**
Net book value at end of period	133	981	375	**1,489**

2016	Land and buildings €m	Plant and machinery €m	Assets under construction €m	Total €m
Cost at beginning of period	747	5,493	172	**6,412**
Additions	-	85	153	**238**
Transfers	4	61	(65)	**-**
Disposals	(3)	(70)	-	**(73)**
Cost at end of period	748	5,569	260	**6,577**
Depreciation at beginning of period	604	4,469	22	**5,095**
Charge for the period	11	172	-	**183**
Disposals	(3)	(60)	-	**(63)**
Depreciation at end of period	612	4,581	22	**5,215**
Net book value at end of period	136	988	238	**1,362**

(i)

	2017 €m	2016 €m
The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**102**	95
Accumulated depreciation	**(74)**	(67)
	28	28
Owned assets	**953**	960
	981	988

9. Investments in subsidiaries, joint ventures and associates

	Investments in subsidiaries €m	Investments in joint ventures €m	Investments in associates €m	**Total 2017 €m**	Total 2016 €m
Carrying value at beginning of period	42	12	8	**62**	60
Additions	5	-	-	**5**	9
Disposal	-	-	-	**-**	(7)
Carrying value at end of period	47	12	8	**67**	62

(i) In 2016 Namascor BV was liquidated and the net assets absorbed into Tata Steel IJmuiden BV.

(ii) In 2016 Tata Steel IJmuiden BV acquired 100% of the issued share capital of Naantali Steel Service Centre from TSN.

(iii) During the prior year Halmstad Steel Service Centre AB was incorporated with Tata Steel IJmuiden acquiring 100% of the issued share capital from TSN.

(iv) The Company's main subsidiaries and investments are listed in Note 26.

10. Inventories

	2017 €m	2016 €m
Raw materials and consumables	**342**	189
Work in progress	**218**	114
Finished goods and goods for resale	**261**	203
	821	506

The value of inventories above is stated after impairment of €10m (2016: €8m) for obsolescence and write-downs to net realisable value.

11. Current tax

	2017 €m	2016 €m
Dutch corporation tax assets	**2**	31
Dutch corporation tax liabilities	**(38)**	(169)
	(36)	(138)

12. Trade and other receivables

	2017 €m	2016 €m
Trade receivables	**370**	344
Less provision for impairment of receivables	**(3)**	(5)
	367	339
Amounts owed by parent undertakings (Note 25)	**4**	5
Amounts owed by other Tata Steel companies (Note 25)	**160**	108
Amounts owed by subsidiary undertakings (Note 25)	**8**	1
Amounts owed by joint ventures (Note 25)	**2**	7
Amounts owed by associates (Note 25)	**7**	7
Derivative financial instruments (Note 16)	**9**	21
Other taxation	**11**	9
Prepayments	**32**	27
Other receivables	**21**	17
	621	541

(i) Trade receivables are further analysed as follows:

31 March 2017	**Gross amount €m**	**Subject to credit insurance cover €m**	**Impairment provision made €m**	**Net credit risk amount €m**
Trade receivables:	**363**	**(353)**	**-**	**10**
Amounts not yet due	**1**	**-**	**-**	**1**
One month overdue	**-**	**-**	**-**	**-**
Two months overdue	**1**	**(1)**	**-**	**-**
Three months overdue	**1**	**(1)**	**-**	**-**
Greater than three months overdue	**4**	**(1)**	**(3)**	**-**
	370	**(356)**	**(3)**	**11**

31 March 2016	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount €m
Trade receivables:				
Amounts not yet due	327	(315)	-	12
One month overdue	7	(7)	-	-
Two months overdue	2	(2)	-	-
Three months overdue	2	-	(1)	1
Greater than three months overdue	6	(2)	(4)	-
	344	(326)	(5)	13

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

	2017 €m	2016 €m
At beginning of period	**5**	2
Impairments in the period	**-**	3
Amounts utilised and other movements	**(2)**	-
At end of period	**3**	5

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

	2017 €m	2016 €m
Short-term deposits with TSN	**184**	416
Cash at bank and in hand	**146**	116
Cash and other short-term deposits	**330**	532

	2017			2016		
	Short-term deposits €m	**Cash €m**	**Total €m**	Short-term deposits €m	Cash €m	Total €m
Sterling	**-**	**19**	**19**	-	6	6
Euros	**184**	**21**	**205**	416	107	523
US dollars	**-**	**100**	**100**	-	3	3
Other currencies	**-**	**6**	**6**	-	-	-
	184	**146**	**330**	416	116	532

Short-term deposits are highly liquid investments with original maturities of three months or less. The effective interest rate on short-term deposits was 0.0% (2016: 0.0%).

14. Trade and other payables

	2017 €m	2016 €m
Trade payables	**414**	291
Amounts owed to parent undertakings (Note 25)	**24**	13
Amounts owed to other Tata Steel companies (Note 25)	**109**	45
Amounts owed to subsidiary undertakings (Note 25)	**5**	5
Amounts owed to associates (Note 25)	**4**	4
Other taxation	**7**	6
Capital expenditure creditors	**64**	42
Derivative financial instruments (Note 16)	**8**	22
Advances from customers	**10**	2
Other payables	**282**	236
	927	666

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

15. Borrowings

	2017 €m	2016 €m
Current:		
Overdrafts	**-**	1
Loans from TSN (Note 25)	**-**	22
Obligations under finance leases	**6**	6
	6	29

	2017 €m	2016 €m
Non-current:		
Obligations under finance leases	**24**	23
	24	23
Total borrowings	**30**	52

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

	2017			2016		
	Fixed rate borrowings €m	Floating rate borrowings €m	Total €m	Fixed rate borrowings €m	Floating rate borrowings €m	Total €m
Euros	**30**	**-**	**30**	29	23	52

Further details of fixed rate non-current borrowings are as follows:

	2017		2016	
	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Euros	**5.8**	**4.8**	5.2	3.6

(ii) The maturity of borrowings is as follows:

	2017 **€m**	2016 €m
In one year or less or on demand	**7**	30
Between one and two years	**6**	7
Between two and three years	**4**	5
Between three and four years	**3**	4
Between four and five years	**3**	3
More than five years	**18**	14
	41	63
Less: amounts representing interest in future minimum lease payments	**(11)**	(11)
	30	52
Amounts falling due within one year	**6**	29
Amounts falling due after more than one year	**24**	23

Amounts payable under finance leases are as follows:

	Minimum lease payments		**Present value of minimum lease payment**	
	2017 **€m**	2016 €m	**2017** **€m**	2016 €m
Not later than one year	**7**	7	**6**	6
Later than one year but not more than five years	**16**	18	**11**	13
More than five years	**18**	15	**13**	10
	41	40	**30**	29
Less: future finance charges on finance leases	**(11)**	(11)	**-**	-
Present value of finance lease liabilities	**30**	29	**30**	29

16. Financial instruments and risk management

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

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

	2017 **€m**	2016 €m
Financial assets		
Trade and other receivables (Note 12) [1]	**569**	484
Cash and cash equivalents (Note 13)	**344**	532
	913	1,016
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (Note 14) [2]	**(902)**	(636)
Current borrowings (Note 15)	**(6)**	(29)
Non-current borrowings (Note 15)	**(24)**	(23)
	(932)	(688)
	(19)	328

1 Excludes other taxation and prepayments
2 Excludes other taxation, and advances from customers

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(ii) Fair value measurements recognised in the balance sheet

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

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

2016	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets at fair value:				
Commodity contracts	-	4	-	4
Forward foreign currency contracts	-	17	-	17
	-	21	-	21
Derivative financial liabilities at fair value:				
Forward foreign currency contracts	-	22	-	22
	-	22	-	22

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

(iii) Financial risk management and financial instruments

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

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

(a) Market risk: foreign exchange risk and management
It is the policy of the Company that substantially all the net currency transaction exposures arising from contracted sales and purchases are hedged by selling or purchasing foreign currency forwards. At 31 March 2017 the notional amount of outstanding foreign currency contracts was €1,490m (2016: €1,041m) with a net fair value of €2m (2016: €(5)m).

At 31 March 2017, a 10% appreciation of the euro against the US dollar would decrease the net assets of the Company by approximately €19m (2016: €12m), decrease equity by approximately €19m (2016: €12m) and have no impact on the operating profit (2016: no impact). The sensitivity analysis has been based on the composition of the dollar denominated financial assets and liabilities of the Company at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in debt and financial lease obligations, which do not present a material exposure.

The net positions on currencies other than the US dollar are of less importance and the sensitivity for a 10% weakening/strengthening of the euro is not significant.

(b) Market risk: commodity risk and management
The Company makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Forward purchases are made of zinc and tin to cover sales contracts with fixed metal prices. At 31 March 2017 the Company had commodity contracts with a total notional value of €70m (2016: €47m) and a net fair value of €(1)m (2016: €4m).

At 31 March 2017, a 10% appreciation of market prices would decrease the Company's equity by approximately €5m (2016: €4m). 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 rate risk and management
The financial structure of the company is conservative with the only borrowings in the Company being finance leases. During 2017 and 2016, the Company's borrowings were denominated in euro. The Company did not enter into interest rate swap contracts or forward rate agreements.

On 31 March 2017 the Company had fixed rate borrowings of €30m (31 March 2016: €29m) and floating rate borrowings of €nil (31 March 2016: €23m). The Company had short term deposits of €184m on 31 March 2017 (on 31 March 2016: €416m). If at 31 March 2017 the interest rate would have been 100 bps higher/lower, with all other variables held constant, profit after taxes and cash flow would have shown no material change. For 2016, the impact would have been the same.

For further details of the borrowings, such as maturity and interest rates, see Note 14.

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

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

Credit risk also arises from the possible failure of counter-parties to meet their obligations under currency and commodity hedging instruments. However, counter parties are established banks and financial institutions with high credit ratings and the Company 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 Company's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. The Company believes that the risk of incurring such losses is remote and underlying principal amounts are not at risk.

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

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

	Maturity of contractual undiscounted cash flows		
2017	**Contractual cash flows €m**	**In one year or less or on demand €m**	**Between one and five years €m**
Non-derivative financial liabilities			
Trade and other payables 1	**(902)**	**(902)**	**-**
Borrowings			
Repayment	**(30)**	**(6)**	**(24)**
Fixed interest	**(11)**	**-**	**(11)**
	(943)	**(908)**	**(35)**
Derivative financial assets/liabilities			
Foreign currency contracts			
Payables	**(1,490)**	**(1,490)**	**-**
Receivables	**1,492**	**1,492**	**-**
Derivatives commodities: net settlement	**(1)**	**(1)**	**-**
	1	**1**	**-**
Total	**(942)**	**(907)**	**(35)**

1 Excludes other taxation and advances from customers

2016	Contractual cash flows €m	In one year or less or on demand €m	Between one and five years €m
	Maturity of contractual undiscounted cash flows		
Non-derivative financial assets/liabilities			
Trade and other payables 1	(636)	(636)	-
Borrowings			
Repayment	(52)	(29)	(23)
Fixed interest	(11)	-	(11)
	(699)	(665)	(34)
Derivative financial assets/liabilities			
Foreign currency contracts			
Payables	(1,062)	(1,062)	-
Receivables	1,057	1,057	-
Derivatives commodities: net settlement	4	4	-
	1	1	-
Total	(698)	(664)	(34)

1 Excludes other taxation and social security and advances from customers

The forex derivatives outflow includes €727m from liabilities (2016: €554m); the inflow includes €719m from liabilities (2016: €532m).

(iv) Derivative financial instruments

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

	2017		2016	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	**-**	**(1)**	4	-
Forward foreign currency contracts	**9**	**(7)**	17	(22)
	9	**(8)**	21	(22)

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

	Forward foreign currency contracts €m	**Commodity contracts €m**	**Taxation €m**	**2017 €m**
Cash flow hedge reserve net of taxation at beginning of period	**-**	**3**	**(1)**	**2**
Change to profit and loss account	**(11)**	**(13)**	**-**	**(24)**
Fair value recognised	**25**	**11**	**(3)**	**33**
Cash flow hedge reserve net of taxation at end of period	**14**	**1**	**(4)**	**11**

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

	2017 €m	2016 €m
Commodity contracts	**70**	47
Forward foreign currency contracts	**1,490**	1,041

Ineffectiveness on cash flow hedges recognised in profit and loss was a charge of €nil in 2017 (2016: €nil).

17. Provisions for liabilities and charges

	Environmental provisions €m	Guarantee commitments €m	Employee benefits €m	**Total 2017 €m**	Total 2016 €m
At beginning of period	17	1	63	**81**	83
Charged to income statement	5	-	2	**7**	5
Released to income statement	-	-	-	**-**	(5)
Utilised during the period	-	-	-	**-**	(2)
At end of period	22	1	65	**88**	81
Analysed as:					
Current liabilities				**6**	7
Non-current liabilities				**82**	74

(i) Environmental provisions consist of remediation and clean-up activities that need to be undertaken in the foreseeable future and of which the costs can reasonably be estimated.

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

(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.

18. Deferred tax

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

	2017 €m	2016 €m
Deferred tax asset	**30**	-
Deferred tax liabilities	**-**	(15)
	30	(15)

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

2017	Accelerated tax depreciation €m	Stocks €m	Pension €m	Provisions €m	Other €m	**Total €m**
At beginning of period	(16)	(20)	-	11	10	**(15)**
Credited to income statement	20	25	-	1	-	**46**
Charged to other comprehensive income	-	-	-	-	(1)	**(1)**
At end of period	4	5	-	12	9	**30**

2016	Accelerated tax depreciation €m	Stocks €m	Pension €m	Provisions €m	Other €m	Total €m
At beginning of period	(9)	(27)	3	10	3	(20)
(Charged)/ credited to income statement	(7)	7	(15)	1	(1)	(15)
Credited to other comprehensive income	-	-	12	-	8	20
At end of period	(16)	(20)	-	11	10	(15)

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

19. Deferred income

	2017 €m	2016 €m
At beginning of year	**10**	12
Released to income statement	**(2)**	(2)
At end of year	**8**	10

20. Share capital

The authorised share capital of the Company as at 31 March 2017 amounts to € 225,000,000 (31 March 2016: €225,000,000) and consists of 500,000 ordinary shares of each €450 (31 March 2016: €450). As of 31 March 2017 250,000 ordinary shares of €450 each were issued and fully paid up, totalling to a nominal value of €112,500,000 (31 March 2016: €112,500,000).

21. Future capital expenditure

	2017 €m	2016 €m
Contracted but not provided for	**186**	219
Authorised but contracts not yet placed	**126**	212

22. Operating leases

	2017 €m	2016 €m
Future minimum lease payments for the Company at the end of the year are:		
Not later than one year	**9**	4
Later than one year and not later than five years	**15**	9
More than five years	**2**	-
	26	13

23. Contingencies

	2017 €m	2016 €m
Guarantees and securities	**8**	8

The Company is part of the fiscal unity "Tata Steel Netherlands Holdings B.V." and for that reason could be liable for the tax liabilities of the whole fiscal unity.

There are no significant legal claims that need to be recognised as contingent liabilities.

24. Pensions and post-retirement benefits

The pension scheme of the Company is the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme, which is the scheme for previous and present employees based in IJmuiden. Benefits offered by this scheme are largely based on average pay and years of service at retirement. The SPH Pension Scheme also includes employees from the wider TSN group which are outside of the Company.

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

The principal defined benefit scheme of TSN up until 7 July 2015 was the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme which is the main scheme for previous and present employees based in the Netherlands. On 7 July 2015 a new SPH Pension Scheme execution agreement was signed by TSN and the SPH Pension Scheme. The agreement specified that the Company's contribution level to the SPH Pension Scheme was no longer dependent upon the funding ratio of the scheme, and the Company would no longer have a legal or constructive obligation to pay further contributions if the scheme did not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, the SPH Pension Scheme was reclassified and accounted for as a defined contribution scheme with effect from 7 July 2015 rather than a defined benefit scheme. The classification change to defined contribution resulted in the recognition of a settlement credit of €69m in the 2016 income statement equal to the Company's share of the net defined benefit liability on the scheme at that date.

Up until 7 July 2015 the defined benefit amounts included in the TSIJ financial statements represent the pro rata share of the Company in the SPH Pension Scheme as a whole based on a percentage of 87.9%. This percentage reflects the proportion of contributions paid to the scheme and is calculated on a consistent basis. As a result of this policy the Company recognised the proportion of the net defined benefit costs in accordance with IAS 19 and includes all information about the plan as a whole at a percentage of 87.9% up until 7 July 2015. From 7 July 2015, the defined contribution amounts paid by the Company to the SPH Pension Scheme are charged as an expense as they fall due.

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 on the liability recognised in the balance sheet.

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

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

Income statement pension costs arose as follows:

	2017 €m	2016 €m
Current service cost	**-**	28
Net interest cost	**-**	1
Settlements, curtailments and past service credits	**-**	(69)
Defined benefit credit	**-**	(40)
Defined contribution charge	**70**	49
Total charge for the year (Note 4)	**70**	9

The SPH defined benefit income statement net pension credit of €40m in 2016 relates to the period up to 7 July 2015 when the scheme was reclassified to a defined contribution scheme.

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:

Plan assets:	2017 €m	2016 €m
As at 1 April	-	7,224
Actuarial gain due to change in allocation ratio	-	61
	-	7,285
Return on plan assets less than discount rate	-	(345)
Interest income on plan assets	-	31
Contributions from the employer	-	17
Contributions from plan participants	-	7
Benefits paid from plan assets	-	(60)
Settlement of defined benefit plan	-	(6,935)
As at 31 March	-	-

Benefit obligations:		
As at 1 April	-	(7,234)
Actuarial loss due to change in allocation ratio	-	(61)
	-	(7,295)
Current service cost	-	(28)
Interest cost on defined benefit obligation	-	(32)
Actuarial gain due to actuarial experience	-	27
Actuarial gain due to financial assumption changes	-	271
Contributions from plan participants	-	(7)
Benefits paid from plan assets	-	60
Settlement of defined benefit plan	-	7,004
As at 31 March	-	-

Actuarial losses recorded in the statement of comprehensive income for the period were €0m (2016: €47m).

25. Related party transactions

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

	2017 €m	2016 €m
Amounts reported within the income statement:		
Sales to joint ventures	**47**	56
Sales to associates	**106**	86
Sales to other Tata Steel companies	**900**	867
Purchases from associates	**42**	37
Purchases of raw materials from other Tata Steel companies, acting as an agent	**1,013**	771
Purchase of emission rights from other Tata Steel companies (Note 6)	**-**	41
Other purchases from other Tata Steel group companies	**156**	160
Net recharges from other Tata Steel companies	**28**	37
Amounts owed by parent undertakings (Note 12)	**4**	5
Amounts owed by other Tata Steel companies (Note 12)	**160**	108
Amounts owed by subsidiary undertakings (Note 12)	**8**	1
Amounts owed by joint ventures (Note 12)	**2**	7
Amounts owed by associates (Note 12)	**7**	7
Amounts owed to parent undertakings (Note 14)	**24**	13
Amounts owed to other Tata Steel companies (Note 14)	**109**	45
Amounts owed to subsidiary undertakings (Note 14)	**5**	5
Amounts owed to associates (Note 14)	**4**	4
Loans from other Tata Steel group companies (Note 14)	**-**	22

Details of transactions with key management personnel are given in 'Further notes to and signing of the annual accounts' on page 35.

26. Subsidiaries and investments

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

Subsidiary undertakings

Steel producing, further processing or related activities:

Belgium
Societe Europeenne de Galvanisation (Segal) SA
Tata Steel Belgium Packaging Steels N.V. (58.97%)

Sweden
Halmstad Steel Service Centre AB

The Netherlands
Esmil B.V.
Huizenbezit "Breesaap" B.V.

Finland
Naantali Steel Service Centre OY

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

Joint ventures, joint operations and associates

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

Further notes to and signing of the Annual Accounts

Remuneration of and loans to members of the Board of Directors

An amount of €1,952,637 was borne by the Company in the 12 months to 31 March 2017 for remuneration of the current and former members of the Board of Directors of Tata Steel IJmuiden B.V. (12 months to 31 March 2016: €875,002).

The amounts of loans granted as at 31 March 2017 totalled €nil (31 March 2016: €nil).

Signing of Annual Accounts

All the members of the Board of Directors have signed the 2017 Annual Accounts of Tata Steel IJmuiden B.V.

Board of Directors

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 12 July 2017

C. Other Information

Appropriation of the result as provided for by the Articles of Association

The net income as shown in the Accounts is at the disposal of the Annual General Meeting of Shareholders.

Appropriation of the result for the financial period 2017

No dividends have been paid in 2017.

Dividend

With regard to FY17, no dividend has been paid (FY16: €100m).

To the shareholders and board of Tata Steel IJmuiden B.V.

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

Our Opinion

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

In our opinion:

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

The financial statements comprise:

1. The company profit and loss account for the year ended 31 March 2017;
2. The statement of comprehensive income for the year ended 31 March 2017;
3. The company balance sheet as at 31 March 2017;
4. The statement of changes in equity for the year ended 31 March 2017.
5. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

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

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

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Amsterdam, July 12, 2017

Deloitte Accountants B.V.

Initial for identification purposes:

J. Hendriks