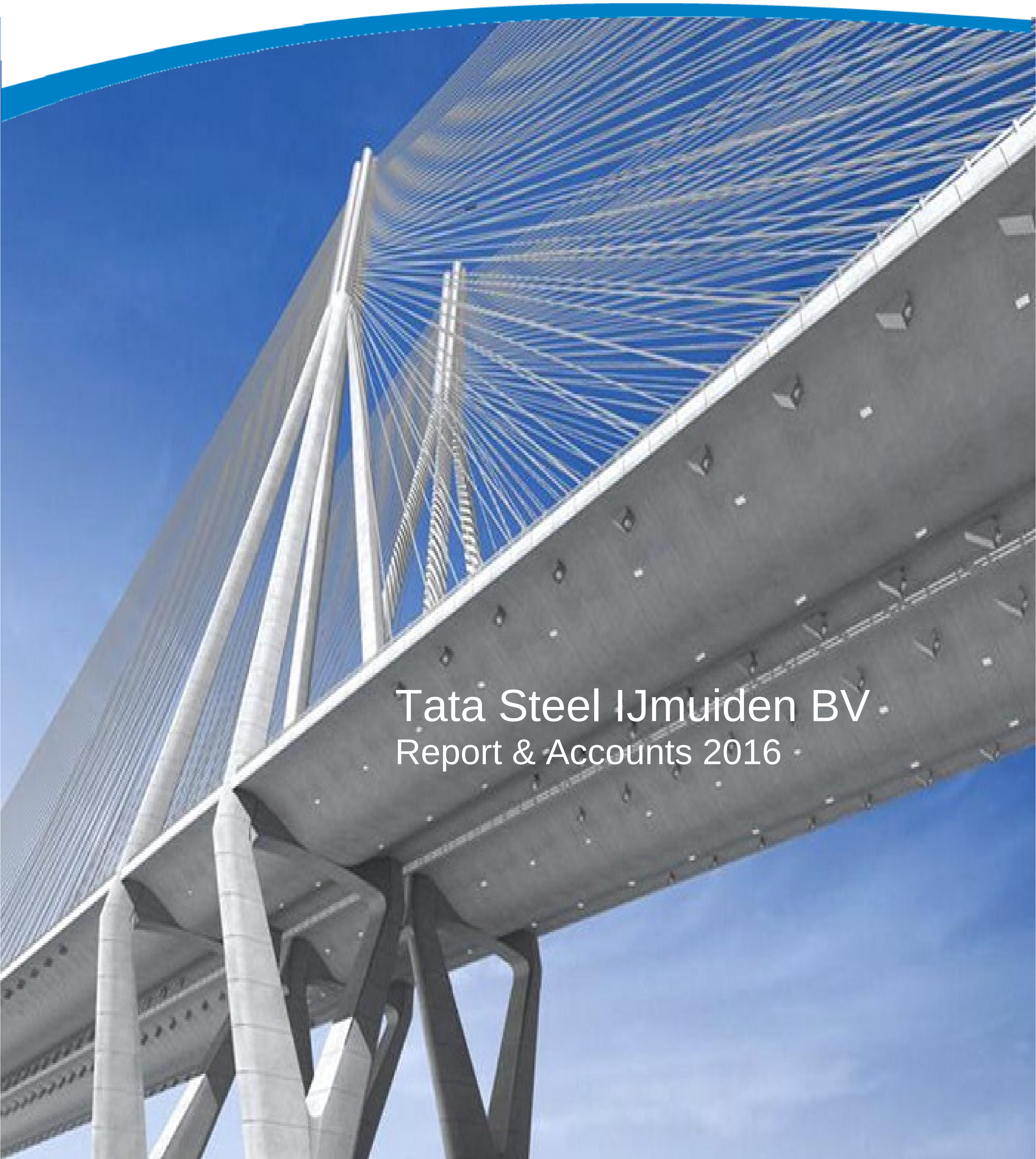
TATA STEEL

TATA



Tata Steel IJmuiden BV

Report & Accounts 2016

Contents

A. Report of the Board of Directors

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 2016 (FY16).

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 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 FY16 and their support in these 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 7.1mt of steel products in the current year (FY15: 7.0mt). 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 about 83% 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, an extension of the product portfolio in high value products and maintenance of the 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.

Economic climate

Global GDP growth in 2015 was 2.3% unchanged from the previous year. The eurozone economy grew by 1.6% compared to 1.0% in 2014. In order to avoid a deflationary environment the European Central Bank extended its quantitative easing programme, which led to a further depreciation of the euro. Growth in China again decelerated in 2015 to 6.9% (2014: 7.3%). The government is seeking to transform the Chinese economy from being investment led to more consumer driven, as its cost advantage is being eroded.

Global steel market

Global steel demand is estimated to have decreased by 3.0% in 2015 to 1,496mt (2014: increase of 0.7%). Demand for steel in China contracted by 5.4% to 672mt compared to a decrease of 3.3% in 2014. Steel demand in the EU grew by 3.5% to 151mt (2014: 4.5%), mainly due to growth in the automotive sector. The number of cars and trucks produced by the EU rose by 7.6% in 2015 (2014: 4.7%). Construction activity increased by 0.8% (2014: 3.2%).

In 2015, global steel production decreased by 3.5% (2014: increase of 2.3%) to 1,591mt due mainly to lower production in China which decreased by 2.7% to 798mt (2014: increase of 2.4%). EU output also decreased in 2015 reducing by 2.0% to 166mt (2014: increase of 1.8%).

In 2015 the EU became a net importer of steel, for the first time since 2008. The net import was 4mt in 2015, with imports of 38mt exceeding exports of 34mt. Exports from China were at a record high at 112mt, as demand growth weakened more than production levels.

Global steelmaking capacity utilisation decreased from 73.0% in 2014 to 69.7% in 2015. EU utilisation rates remained stable at 72.9%.

Steel spot prices in most regions fell during 2015 due to declining raw material prices and low capacity utilisation rates.

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%) fell significantly in 2015 from $68/t in January 2015 to $39/t in December 2015 due to increased supply from Australia and Brazil, and a slowdown of demand growth from China. Hard coking coal spot prices (Australia FOB) fell from $110/t to $76/t in 2015 as the market remained oversupplied. Scrap prices also declined in 2015 in line with the reductions to iron ore and hard coking coal.

Trade

Changing trade flows have caused an increase in the amount of anti-dumping measures in 2015. Amongst others the US and EU have issued duties for a broad range of products, including hot rolled and cold rolled coil.

In 2015 EU steel demand growth was mainly fulfilled by imported steel. In December 2015 the share of imports in the EU market had increased to 18% compared to 13% in the previous year.

Financial review

Operating profit decreased from €308m in FY15 to €210m in FY16. Net turnover decreased to €3,476m from €3,804m in FY15. The profit before taxation amounted to €210m and the tax charge to €(51)m. The net profit after taxation amounted to €159m, a decrease of €120m compared with FY15.

Capital and reserves increased by €17m to €2,124m at the end of FY16.

The increase of €17m consisted of:

- The profit after taxation of €159m;
- Other comprehensive loss of €42m consisting of actuarial losses on defined benefit pensions and movements in the cash flow hedge reserve; and
- Dividends of €100m distributed during the year to the Company's shareholder TSN.

On 7 July 2015 a new SPH execution agreement was signed by TSN and the SPH. As a consequence, the SPH has been 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.

Capital expenditure

Capital expenditure on tangible fixed assets (including loose plant, tools, and spares) in FY16 amounted to €213m (FY15: €171m). Several major projects were ongoing throughout the year including a replacement of converter 21 and 22, and caster crane 25, a repair to Blast Furnace 6 hot stoves and pre-engineering on revamping Blast Furnace 6. In addition, significant capital expenditure has been committed to the Strategic Asset Roadmap Program (STAR), a strategy to grow the volume of differentiated, high value products in the automotive, lifting & excavating and energy & power market segments. This includes replacing the Hot Strip Mill Coiler 1 with a Heavy Duty Coiler and enhancing the casting capabilities for advanced products in Caster 23. A large investment was also ongoing in Packaging IJmuiden to introduce Protact® NG, a multi-layered polymer system that meets increasingly more stringent food requirements, and X0, a REACH compliant substitution of Electrolytic Chromium Coated Steel (ECCS).

Business review

Tata Steel Strip Products MLE

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

The LTI rate of SP MLE employees in 2015/16 was 0.9 which was 0.2 better than last year. The rolling LTI rate for contractors was 1.8 bringing the combined (i.e. employees and contractors) 12 month rolling Lost Time Injury Frequency (LTIF) to 1.1 (0.10 below last year's rate).

The FY16 operating result after restructuring, impairment and disposals was lower than FY15 due to lower margins.

Deliveries in FY16 increased slightly compared with last year due to increased liquid steel production.

As a result of the continuing focus on manufacturing stability, several plants at the IJmuiden site set new production records in 2015/16. The Direct Sheet Plant and Hot Strip Mill 2 realised annual records of 1.328kt and 5.270kt respectively, an improvement of the previous record by 19kt and 50kt respectively. The Hot Dip Galvanizing Line 1 realised an annual record of 401kt marginally higher than the previous year.

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 of employees in 2015/16 was 0.8 which is slightly higher than previous year. The LTI rate for contractors was 1.7, bringing the combined 12 month rolling LTIF to 0.9, which was 0.3 higher than the previous year.

The FY16 operating result after restructuring, impairment and disposals was lower than FY15 due to lower margins.

Production volume in IJmuiden in FY16 was significantly lower than last year due to problems with Continuous Annealing Line 12 and several smaller operational disruptions and less demand from sales.

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 rate of employees in FY16 was 0.0 which is an improvement compared to last year. The rolling LTI rate for contractors was 0.0, bringing the combined 12 month rolling LTIF to 0.0 compared to 1.0 last year.

The FY16 operating result after restructuring, impairment and disposals was worse than FY15 mainly due to lower margins.

Research & development

Research & Technology programme

Most of the 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 to develop projects like the HIsarna technology. These are governed by the TSE R&D Management team.

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, energy & power and rail sectors.

During FY16 31 new products were introduced into the Company's product portfolio (FY15: 35) and included the following:

- Celsius® 420: a new hot-finished structural steel hollow section with a high yield strength allowing engineers to design structures that can be up to 17% lighter compared to TSE's well-established Celsius® 355 product range. This makes Celsius® 420 ideal for structural and dynamically loaded components, such as vehicle axles and cabin systems.

- Coretinium®: a new innovative product with the potential to become the flooring and sidewall material of choice for European bus and trailer manufacturers looking to reduce vehicle weight and CO2 emissions.
- DD13WR: a new wheel rim product designed to meet the particular needs of wheel rims used in off-highway vehicles, such as tractors, cranes and wheeled excavators.
- HR CP800-UC: a new hot-rolled, complex-phase, advanced high-strength steel grade for chassis and suspension applications, which combines the high strength required to meet stringent performance requirements with good formability, allowing automotive engineers to design relatively complex shaped chassis components.

People

Health and safety

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

Positively there were no fatal accidents for the fourth consecutive year in 2015/16 with wide ranging interventions to ensure that this is maintained. The extensive programme called 'Taskforce Safety' introduced at IJmuiden has continued throughout the year and a two day training course for Group Senior Managers has been undertaken in H&S excellence, and particularly their leadership role in knowledge and behaviour.

TSIJ's safety performance as measured by the combined LTIF improved in 2015/16 to 0,97 compared to 1,00 in 2014/15. Although the sickness rate in TSIJ was slightly higher at 4.9% compared to 4.8% in the prior year.

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.

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 2015 a new TSIJ collective labour agreement was agreed with the Trade Unions for a two years period until 2017. Starting from 2015 an extensive programme was launched around sustainable employment. Our employee population is aging. The average age has gone up and, due to the higher retirement age, employees will have to continue to work to a higher age than before. These developments call for policies aimed at improving both the ability and the willingness to continue to work longer. The key programmes are agreed and supported by the Trade Unions and Works Council.

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 are recognised as the producer with the lowest CO_2 emission per tonne steel.

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

Energy efficiency and CO_2 emissions

In the Netherlands, TSN 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 2015 was 4.1% (2014: 5.0%).

Environmental Permit issues

In 2015 Tata Steel made an application for 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 IJmuiden site. In the draft permit regulations TSN succeeded in securing the nitrogen emission in accordance with the production of 8mt of steel per annum. Anticipating on this permit and new regulations on nature conservation, Tata Steel performed an inventory of the flora and fauna at the site. With this baseline inventory it will be possible to facilitate or even stimulate nature development on temporary undeveloped area (in Dutch “tijdelijke natuur”) without disrupting future developments. This inventory will also be used to draft a landscaping plan with the aim to improve and connect ecosystems on the site with the Nature 2000 areas around us.

The bag filter installation for treatment of the flue gas from all three sinter strands has been fully operational since November 2013. The flue gas treatment of the old Airfine installation has been decommissioned and the re-use of the water treatment for other applications is the subject of investigation. A testing program was executed in 2014 and the results have been used to establish emission limit values (ELV) for the permit. The permit was published recently and is still open for appeal.

Following the Industrial Emissions Directive (IED) issued in March 2016 the conclusions on Best Available Technique (BAT) from the BREF Iron & Steel will have 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. Besides an extensive monitoring’s regime with possible new monitoring’s equipment and emission investigation at the pelletplant and the hot stoves of one of the Blast Furnaces, no installation investments are foreseen for now.

Tata Steel successfully appealed the imposed ELV’’s for NOx for the steam boilers from the Energy Department at the Council of State. The new ELV’s will be based on the BREF for large combustion plants which will be finalized around April 2017. The Company continues to invest substantially in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, TSE is also working with other steelmakers in Europe on a longer term major research and development project to develop a new smelting reduction technology (‘HIsarna’) to produce steel from lower grade raw materials without the need for coke making or agglomeration processes. This will improve efficiency and reduce energy consumption as well as reduce CO_2 emissions. After evaluation of four experimental test periods of the HIsarna pilot plant, preparations have now started for an endurance test period of about 6 months in 2016. All results obtained in the HIsarna pilot plant will be included in the design of a full scale demonstration plant.

Environmental complaints

In 2015 the number of total complaints was about 18% lower in comparison with 2014. Noise complaints originate mainly from the Beverwijk area, odour complaints are mainly coming from IJmuiden and dust complaints mainly from Wijk aan Zee. In 2015 75 % of the total complaints were related to dust (2014: 60%), 11% were related to odour (2014: 22%), and 14% to noise (2014: 18%). Although handling of BOS slag still causes a lot of dust complaints, TSN has started a research project using to identify the source of the dust emission.

As part of its overall strategy to reduce environmental complaints at IJmuiden, Tata Steel IJmuiden organizes 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 TSIJ'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

Partners in the environmental dialogue have decided on the implementation of several measures to enhance the environmental circumstances in the region. Although the local air quality is currently in compliance with European air quality standards, local politicians have the ambition to look for improvement opportunities.

Although not part of but in agreement with the permit regarding the Dutch nature conservation act, Tata Steel recently signed a partnership agreement with the PWN (Provinciaal Waterleidingbedrijf Noord-Holland), a public company responsible for the availability of drinking water for the people residing in the North-Holland province and the Nature 2000 area which is located on the North side of the IJmuiden site under the administration of PWN . The content of this partnership will be developed in 2016.

National and European Policy developments

The European Commission is currently revising the thematic strategy on air quality. It has been decided that the ambient air quality limits will not be lowered yet because too many European countries do not yet comply with the current ambient air quality directive. The National Emission Ceiling directive is currently under revision. The revised NEC directive will contain lowered ceilings for 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. The European Parliament, European Commission and the Council are in a trialogue to reach a final decision. In 2013 revision of the Best Available Technique (BAT) Reference Document for Large Combustion Plants (BREF LCP) started. The BAT Reference documents are part of the European Industrial Emissions Directive (IED). Member States have to implement this regulation into national legislation and transpose it into environmental permits. The BREF LCP will include power stations, which use process gasses from the iron ore & steel industry. Although the BREF LCP is not yet finalised, it looks likely that very strict NOx and CO2 levels will become applicable for combustion plants above 50MW. For SOx the proposed levels are within our operating possibilities. 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 and also supports technologies like HIsarna, which may help to recycle zinc and reduce the use of coking coal (which is a scarce material).

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

On 21 May 2015 TSIJ acquired the share capital of Naantali Steel Service Centre Oy from TSN.

On 30 March 2016 the TSL Board announced that it had advised the TSE Board to explore all options for a portfolio restructuring of its European business including the potential divestment of its subsidiary Tata Steel UK, in whole or in parts. A further comment on this topic is included in the Presentation of Consolidated accounts and accounting policies in part C of the Annual Accounts 2016 on page 13.

Composition of the Board of Management

During FY16 the Board of Management was composed of Mr. Th.J. Henrar and Mr. J.E. van Dort, with a vacancy for an appropriate representative from Operations. This vacancy was filled by the appointment of Mr. J. van den Berg, HUB Director SP MLE, as a Member of the Board per 15 April 2016.

Prospects for 2016/17

The World Steel Association predicts global demand for steel is likely to decline by 0.8% in 2016 with an estimated 4.0% contraction in China offsetting resilient growth in developing markets, in particular in South and Southeast Asia, and NAFTA. No steel demand growth is forecast in the EU due to low activity growth in steel using sectors and a reduction to stocks which built up in the second half of 2015.

Margins in the global steel industry are expected to remain under pressure due to 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, 13 July 2016

Income statement

For the financial year ended 31 March

	Note	**2016 €m**	2015 €m
Turnover	1	**3,476**	3,804
Operating costs	2	**(3,266)**	(3,496)
Operating profit		**210**	308
Finance costs	4	**(2)**	(10)
Finance income	4	**2**	17
Profit before taxation		**210**	315
Taxation	5	**(51)**	(36)
Profit after taxation		**159**	**279**

All references to 2016 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 27 refer to the financial period ended 31 March 2016 or as at 31 March 2016 as appropriate (2015: the financial period ended 31 March 2015 or as at 31 March 2015).

Notes and related statements forming an integral part of these accounts appear on pages 19 to 35.

Statement of comprehensive income

For the financial year ended 31 March

	Note	**2016 €m**	2015 €m
Profit after taxation		**159**	279
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined pension plan	25	**(47)**	(50)
Income tax relating to items that will not be reclassified		**12**	12
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains arising on cash flow hedges	15 (iv)	**(10)**	26
Income tax relating to items that may be reclassified	15 (iv)	**3**	(7)
Other comprehensive loss for the year net of tax		**(42)**	(19)
Total comprehensive income for the year		**117**	260

Notes and related statements forming an integral part of these accounts appear on pages 19 to 35.

Balance sheet

As at 31 March

	Note	2016 €m	2015 €m
Non-current assets			
Intangible assets	6	**83**	37
Property, plant and equipment	7	**1,362**	1,317
Fixed assets investments	8	**62**	60
		1,507	1,414
Current assets			
Inventories	9	**506**	624
Trade and other receivables	11	**541**	708
Current tax assets	10	**31**	24
Short term investments	12	**416**	324
Cash and short term deposits	12	**116**	99
		1,610	1,779
TOTAL ASSETS		**3,117**	3,193
Current liabilities			
Borrowings	14	**(29)**	(25)
Trade and other payables	13	**(666)**	(782)
Current tax liabilities	10	**(169)**	(150)
Short term provisions and other liabilities	16	**(7)**	(13)
		(871)	(970)
Non-current liabilities			
Borrowings	14	**(23)**	(4)
Deferred tax liabilities	17	**(15)**	(20)
Retirement benefit obligations	25	**-**	(10)
Provisions and other liabilities	16	**(74)**	(70)
Deferred income	18	**(10)**	(12)
		(122)	(116)
TOTAL LIABILITIES		**(993)**	(1,086)
NET ASSETS		**2,124**	2,107
Equity			
Called up share capital	19	**113**	113
Hedging reserve		**2**	9
Retained earnings		**2,009**	1,985
TOTAL EQUITY		**2,124**	2,107

Notes and related statements forming an integral part of these accounts appear on pages 19 to 35.

Statement of changes in equity

	Share capital €m	Hedging reserve €m	Retained earnings €m	**Total €m**
Balance at 31 March 2014	113	(10)	2,094	**2,197**
Profit after taxation	-	-	279	**279**
Other comprehensive income/(loss) for the year	-	19	(38)	**(19)**
Dividends	-	-	(350)	**(350)**
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)**
Dividends	-	-	(100)	**(100)**
Balance at 31 March 2016	113	2	2,009	**2,124**

Notes and related statements forming an integral part of these accounts appear on pages 19 to 35.

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

The 2016 Annual Accounts of Tata Steel IJmuiden B.V. have been authorised for issue by the Board of Directors on 12 July 2016.

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 for 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.

At the end of March 2016, the Tata Steel Ltd Board has advised the Board of its European holding company i.e. Tata Steel Europe ('TSE'), to explore all options for portfolio restructuring including the potential divestment of its subsidiary Tata Steel UK Limited ('TSUK'), in whole or in parts. The TSIJ Board of Directors has assessed the potential immediate impact of such a development on TSIJ. The assessment has identified a number of potential uncertainties for TSIJ that may result from a separation from, or cessation of, all or part of TSUK's operations and activities.

Actions to mitigate these uncertainties have been identified, in particular regarding common purchase contracts for raw materials like coal and iron ore, common in-bound shipping contracts, common customers (e.g. in Packaging) and the need to build-up certain functional competencies in TSIJ that are now covered within the TSUK organisation.

The view of the Board of Directors is that TSIJ will be able to adequately address these uncertainties and that TSIJ will overcome the challenges from such a significant change in the TSE corporate structure without lasting material detrimental impact on its operations and activities.

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*
IAS 19 (Amendment)	Employee Benefits	1 Feb 2015
Annual Improvements	2010/2012 Cycle	1 Feb 2015
Annual Improvements	2011/2013 Cycle	1 Jan 2015

** 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 2015.

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 2016, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 9	Financial instruments	1 Jan 2018
IFRS 14	Regulatory deferral accounts	1 Jan 2016
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IFRS 10 (Amendments)	Consolidated financial statements	1 Jan 2016
IFRS 11 (Amendments)	Joint Arrangements on Acquisition of an Interest in a Joint Operation	1 Jan 2016
IAS 7 (Amendments)	Statement of cash flows	1 Jan 2017

IAS 12 (Amendments)	Income taxes	1 Jan 2017
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

** 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 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 25.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation, legal claims and employee benefits are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of these costs. Further details on the Company's redundancy and rationalisation provisions can be found in note 2 and in note 16.

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 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. Turnover

	2016 €m	2015 €m
Turnover by destination:		
Netherlands	**659**	699
Europe excluding the Netherlands	**2,220**	2,359
North America	**481**	608
Rest of the world	**116**	138
	3,476	3,804

2. Operating costs

	2016 €m	2015 €m
Costs by type:		
Raw materials and consumables	**1,594**	1,730
Maintenance costs (excluding own labour)	**303**	306
Other external charges (including fuels and utilities, hire charges and carriage costs)	**504**	500
Employment costs (Note 3)	**556**	656
Depreciation and amortisation (Note 6,7)	**191**	191
Regional development and other grants released (Note 18)	**(2)**	(2)
Other operating costs (including rents, rates, insurance and general expenses)	**149**	128
Changes in stock of finished goods and work in progress	**7**	10
Own work capitalised	**(29)**	(23)
Profit on disposal of Group company	**(7)**	-
	3,266	3,496

	2016 €m	2015 €m
The above costs are stated after including:		
Amortisation of intangible fixed assets	**8**	7
Depreciation of owned assets	**174**	180
Depreciation of assets held under finance lease	**6**	4
Operating leases:		
Plant and machinery	**12**	13
Leasehold property	**10**	12
Costs of research and development	**32**	25
Impairments against trade receivables	**3**	-

3. Employees

	2016 €m	2015 €m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**487**	555
Social security costs	**60**	59
Pension costs (Note 25)	**9**	42
	556	656

The average number of the Company's active employees was 7,884 (2015: 7,958). All employees are located in the Netherlands. The analysis of the headcount by business is: Strip Products MLE 6,891, Packaging IJmuiden 978 and other 15.

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

	2016 €m	2015 €m
Defined benefit scheme (Note 25)	**29**	42
Settlement of SPH defined benefit scheme (Note 25)	**(69)**	-
Defined contribution scheme (Note 25)	**49**	-
	9	42

4. Financing items

	2016 €m	2015 €m
Interest expense		
Borrowings from other Tata Steel companies	**-**	(4)
Other borrowings	**-**	(4)
Finance leases	**(2)**	(1)
Discount on disposal of trade receivables within purchase agreement with Tata Steel subsidiary (see Note 26)	**-**	(1)
Finance costs	**(2)**	(10)
Dividends received	**2**	17
Finance income	**2**	17
	-	7

5. Taxation

	2016 €m	2015 €m
Corporation tax	**34**	64
Prior year charge/(credit)	**2**	(25)
Current tax	**36**	39
Deferred tax charge/(credit)	**15**	(3)
Taxation	**51**	36

In addition to the total taxation charged to the income statement, a tax credit of €15m (2015: a credit of €5m) was recognised in equity in the year.

The total charge for the year can be reconciled as follows:	2016 €m	2015 €m
Profit before taxation	**210**	315
Profit before taxation multiplied by the applicable corporation tax rate of 25.0% (2015: 25.0%)	**53**	79
Effects of:		
Adjustments to current tax in respect of prior periods	**2**	(25)
Non-taxable income	**(3)**	(8)
Other differences	**(1)**	(10)
Total taxation	**51**	36

6. Intangible assets

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**

2015	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	39	64	10	**113**
Additions	-	7	-	**7**
Disposals	(10)	-	-	**(10)**
Cost at end of period	29	71	10	**110**
Amortisation at beginning of period	34	42	-	**76**
Charge for the period	1	6	-	**7**
Disposals	(10)	-	-	**(10)**
Amortisation at end of the period	25	48	-	**73**
Net book value at end of the period	4	23	10	**37**

7. Property, plant and equipment

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**
Transfers	-	-	-	**-**
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**

2015	Land and buildings €m	Plant and machinery €m	Assets under construction €m	Total €m
Cost at beginning of period	743	5,361	178	**6,282**
Additions	-	37	140	**177**
Transfers	5	141	(146)	**-**
Disposals	(1)	(46)	-	**(47)**
Cost at end of period	747	5,493	172	**6,412**
Depreciation at beginning of period	593	4,334	22	**4,949**
Charge for the period	12	172	-	**184**
Transfers	-	-	-	**-**
Disposals	(1)	(37)	-	**(38)**
Depreciation at end of period	604	4,469	22	**5,095**
Net book value at end of period	143	1,024	150	**1,317**

(i)

	2016 €m	2015 €m
The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**95**	69
Accumulated depreciation	**(67)**	(61)
	28	8
Owned assets	**960**	1,016
	988	1,024

(ii) There were no borrowing costs capitalised during the year (2015: nil).

8. Fixed assets investments

	Shares in subsidiaries €m	Shares in joint ventures €m	Shares in associates €m	**Total 2016 €m**	Total 2015 €m
Carrying value at beginning of period	42	10	8	**60**	57
Additions	7	2	-	**9**	3
Disposal	(7)	-	-	**(7)**	-
Carrying value at end of period	42	12	8	**62**	60

(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) On 31 March 2015 Tata Steel IJmuiden acquired 50% of the share capital of Norsk Stal Tynnplater AS.

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

(v) The Company's main subsidiaries and investments are listed in Note 27.

9. Inventories

	2016 €m	2015 €m
Raw materials and consumables	**189**	300
Work in progress	**114**	113
Finished goods and goods for resale	**203**	211
	506	624

The value of inventories above is stated after impairment of €8m (2015: €7m) for obsolescence and write-downs to net realisable value.

10. Current tax

	2016 €m	2015 €m
Dutch corporation tax assets	**31**	24
Dutch corporation tax liabilities	**(169)**	(150)
	(138)	(126)

11. Trade and other receivables

	2016 €m	2015 €m
Trade receivables	**344**	412
Less provision for impairment of receivables	**(5)**	(2)
	339	410
Amounts owed by parent undertakings (Note 26)	**5**	-
Amounts owed by other Tata Steel companies (Note 26)	**108**	189
Amounts owed by subsidiary undertakings (Note 26)	**1**	-
Amounts owed by joint ventures (Note 26)	**7**	5
Amounts owed by associates (Note 26)	**7**	4
Derivative financial instruments (Note 15 (iv))	**21**	41
Other taxation	**9**	9
Prepayments	**27**	27
Other receivables	**17**	23
	541	708

(i) Trade receivables are further analysed as follows:

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**

31 March 2015	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount €m
Trade receivables:				
Amounts not yet due	395	(347)	-	48
One month overdue	7	(7)	-	-
Two months overdue	5	(5)	-	-
Three months overdue	1	(1)	-	-
Greater than three months overdue	4	(2)	(2)	-
	412	(362)	(2)	48

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

	2016 €m	2015 €m
At beginning of period	**2**	2
Impairments in the period	**3**	-
At end of period	**5**	2

12. Cash, short term deposits and short term investments

	2016 €m	2015 €m
Cash at bank and in hand	**116**	99
Short term deposits with TSN	**416**	324
Cash and other short term deposits	**532**	423

	2016			2015		
	Cash €m	**Short term investments €m**	**Total €m**	Cash €m	Short term investments €m	Total €m
Sterling	**6**	**-**	**6**	-	-	-
Euros	**107**	**416**	**523**	72	324	396
US dollars	**3**	**-**	**3**	12	-	12
Other currencies	**-**	**-**	**-**	15	-	15
	116	**416**	**532**	99	324	423

Short term investments are highly liquid investments with original maturities of three months or less and short term investments are deposits for periods not exceeding one year. The effective interest rate on short term deposits was 0.0% (2015: 0.0%).

13. Trade and other payables

	2016 €m	2015 €m
Trade payables	**291**	285
Amounts owed to parent undertakings (Note 26)	**13**	30
Amounts owed to other Tata Steel companies (Note 26)	**45**	85
Amounts owed to subsidiary undertakings (Note 26)	**5**	4
Amounts owed to joint ventures (Note 26)	**-**	6
Amounts owed to associates (Note 26)	**4**	5
Other taxation	**6**	6
Capital expenditure creditors	**42**	44
Derivative financial instruments (Note 15 (iv))	**22**	45
Advances from customers	**2**	5
Deferred consideration on business purchase	**-**	1
Other payables	**236**	266
	666	782

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

14. Borrowings

	2016 €m	2015 €m
Current:		
Overdrafts	**1**	-
Loans from TSN (Note 26)	**22**	21
Obligations under finance leases	**6**	4
	29	25

	2016 €m	2015 €m
Non-current:		
Obligations under finance leases	**23**	4
	23	4
Total borrowings	**52**	29

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

	2016			2015		
	Fixed rate borrowings €m	**Floating rate borrowings €m**	**Total €m**	Fixed rate borrowings €m	Floating rate borrowings €m	Total €m
Euros	**29**	**23**	**52**	8	21	29

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

	2016		2015	
	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	**5.2**	**3.6**	5.0	1.2

The majority of floating rate borrowings are borrowings from Tata Steel companies bearing interest rates based on EURO LIBOR or official local rates. These rates are fixed for periods up to three months.

The weighted average interest rate on short term floating borrowings was 0.0% (2015: 0.5%).

(ii) The maturity of borrowings is as follows:

	2016 €m	2015 €m
In one year or less or on demand	**30**	26
Between one and two years	**7**	2
Between two and three years	**5**	1
Between three and four years	**4**	1
Between four and five years	**3**	1
More than five years	**14**	-
	63	31
Less: amounts representing interest in future minimum lease payments	**(11)**	(2)
	52	29
Amounts falling due within one year	**29**	25
Amounts falling due after more than one year	**23**	4

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2016 €m	2015 €m	**2016 €m**	2015 €m
Not later than one year	**7**	4	**6**	4
Later than one year but not more than five years	**18**	5	**13**	4
More than five years	**15**	1	**10**	-
	40	10	**29**	8
Less: future finance charges on finance leases	**(11)**	(2)	**-**	-
Present value of finance lease liabilities	**29**	8	**29**	8

15. 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:

	2016 €m	2015 €m
Financial assets		
Trade and other receivables (Note 11) 1	**484**	631
Cash and cash equivalents (Note 12)	**532**	423
	1,016	1,054
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (Note 13) 2	**(636)**	(726)
Current borrowings (Note 14)	**(29)**	(25)
Non-current borrowings (Note 14)	**(23)**	(4)
	(688)	(755)
	328	299

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

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

(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.

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**

2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets at fair value:				
Forward foreign currency contracts	-	41	-	41
	-	41	-	41
Derivative financial liabilities at fair value:				
Commodity contracts	-	(9)	-	(9)
Forward foreign currency contracts	-	(36)	-	(36)
	-	(45)	-	(45)

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, base metal prices and interest rates. 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 2016 the notional amount of outstanding foreign currency contracts was €1,041m (2015: €775m) with a net fair value of €5m (2015: €5m).

At 31 March 2016, a 10% appreciation of the euro against the US dollar would decrease the net assets of the Company by approximately €12m (2015: €11m), decrease equity by approximately €12m (2015: €11m) and have no impact on the operating profit (2015: 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 2016 the Company had commodity contracts with a total notional value of €47m (2015: €50m) and a net fair value of €4m (2015: €(9)m).

At 31 March 2016, a 10% appreciation of market prices would decrease the Company's equity by approximately €4m (2015: €3m). 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 and only a relatively modest percentage of the net assets have been financed by loans. During 2016 and 2015, 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 2016 the Company had fixed rate borrowings of €29m (31 March 2015: €8m) and floating rate borrowings of €25m (31 March 2015: €21m). The Company had short term deposits of €416m on 31 March 2016 (on 31 March 2015: €324m). If at 31 March 2016 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 2015, 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		
2016	**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]	**(636)**	**(636)**	**-**
Borrowings			
Repayment	**(53)**	**(31)**	**(22)**
Fixed interest	**(1)**	**-**	**(1)**
	(690)	**(667)**	**(23)**
Derivative financial assets/liabilities			
Foreign currency contracts			
Payables	**1,062**	**1,062**	**-**
Receivables	**(1,057)**	**(1,057)**	**-**
Derivatives commodities: net settlement	**4**	**4**	**-**
	9	**9**	**-**
Total	**(681)**	**(658)**	**(23)**

1 Excludes other taxation and social security and advances from customers

2015	Maturity of contractual undiscounted cash flows Contractual cash flows €m	In one year or less or on demand €m	Between one and five years €m
Non-derivative financial assets/liabilities			
Trade and other payables 1	(726)	(726)	-
Borrowings			
Repayment	(29)	(25)	(4)
Fixed interest	(2)	(2)	-
	(757)	(753)	(4)
Derivative financial assets/liabilities			
Foreign currency contracts			
Payables	(807)	(807)	-
Receivables	813	813	-
Derivatives commodities: net settlement	(9)	(9)	-
	(3)	(3)	-
Total	(760)	(756)	(4)

1 Excludes other taxation and social security and advances from customers

The forex derivatives outflow includes €525m from liabilities (2015: €452m); the inflow includes €508m from liabilities (2015: €416m).

(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:

	2016		2015	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	**4**	**-**	-	(9)
Forward foreign currency contracts	**17**	**(22)**	41	(36)
	21	**(22)**	41	(45)

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**	**2016 €m**
Cash flow hedge reserve net of taxation at beginning of period	**24**	**(11)**	**(4)**	**9**
Change to profit and loss account	**(41)**	**21**	**-**	**(20)**
Fair value recognised	**17**	**(7)**	**3**	**13**
Cash flow hedge reserve net of taxation at end of period	**-**	**3**	**(1)**	**2**

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

	2016 €m	2015 €m
Commodity contracts	**47**	50
Forward foreign currency contracts	**1,041**	775

Ineffectiveness on cash flow hedges recognised in profit and loss was a charge of €nil in 2016 (2015: €nil).

16. Provisions for liabilities and charges

	Environmental provisions €m	Guarantee commitments €m	Employee benefits €m	**Total 2016 €m**	Total 2015 €m
At beginning of period	12	3	68	**83**	80
Charged to income statement	5	-	-	**5**	23
Released to income statement	-	-	(5)	**(5)**	(5)
Utilised during the period	-	(2)	-	**(2)**	(15)
At end of period	17	1	63	**81**	83
Analysed as:					
Current liabilities				**7**	13
Non-current liabilities				**74**	70

(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.

17. Deferred tax

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

	2016 €m	2015 €m
Deferred tax liabilities	**(15)**	(20)
	(15)	(20)

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

2016	Accelerated tax depreciation €m	Stocks €m	Pension €m	Other €m	**Total €m**
At beginning of period	(9)	(27)	3	13	**(20)**
Credited/ (charged) to income statement	(7)	7	(15)	-	**(15)**
Credited/ (charged) to equity	-	-	12	8	**20**
At end of period	(16)	(20)	-	21	**(15)**

2015	Accelerated tax depreciation €m	Stocks €m	Pension €m	Other €m	Total €m
At beginning of period	(10)	(42)	14	14	(24)
Credited/ (charged) to income statement	1	15	(23)	10	3
Credited/ (charged) to equity	-	-	12	(11)	1
At end of period	(9)	(27)	3	13	(20)

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.

18. Deferred income

	2016 €m	2015 €m
At beginning of year	**12**	14
Released to income statement	**(2)**	(2)
At end of year	**10**	12

19. Share capital

The authorised share capital of the Company as at 31 March 2016 amounts to € 225,000,000 (31 March 2015: €225,000,000) and consists of 500,000 ordinary shares of each €450 (31 March 2015: €450). As of 31 March 2016 250,000 ordinary shares of €450 each were issued and fully paid up, totalling to a nominal value of €112,500,000 (31 March 2015: €112,500,000).

20. Future capital expenditure

	2016 **€m**	2015 €m
Contracted but not provided for	**219**	127
Authorised but contracts not yet placed	**212**	68

21. Operating leases

	2016 **€m**	2015 €m
Future minimum lease payments for the Company at the end of the year are:		
Not later than one year	**4**	**4**
Later than one year and not later than five years	**9**	**10**
More than five years	**-**	**1**
	13	**15**

22. Contingencies

	2016 **€m**	2015 €m
Guarantees and securities	**8**	16

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.

23. Reconciliation of net cash inflow to movement in net funds

	2016 **€m**	2015 €m
Movement in cash and cash equivalents	**16**	84
Movement in short-term investments	**92**	(315)
Movement in debt	**5**	141
Change in net funds resulting from cash flows in year	**113**	(90)
Other	**(27)**	(3)
Net funds at beginning of year	**394**	487
Net funds at end of year	**480**	394

24. Analysis of net funds

	2015 €m	Cash Flow €m	Other €m	**2016** **€m**
Cash at bank and short term deposits	99	17	**-**	**116**
Bank overdrafts	-	(1)	**-**	**(1)**
Short term investments with TSN	324	92	**-**	**416**
Cash and cash equivalents	**423**	**108**	**-**	**531**
Short-term borrowings from TSN	(21)	(1)	**-**	**(22)**
Obligations under finance leases	(8)	6	(27)	**(29)**
Total debt	**(29)**	**5**	**(27)**	**(51)**
Total net funds	**394**	**113**	**(27)**	**480**

25. 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*' (as amended in 2011) 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.

On 15 December 2014 TSN and the Dutch trade unions agreed to implement with effect from 1 January 2015 a new pension agreement ('pensioen protocol') which includes the following plan changes: switching the calculation of pensions from final to average pay, reducing the accrual rate from 1.900% and 2.150% for final and average pay respectively to 1.875% for just average pay (in line with the above change and new tax rules in the Netherlands), and introducing an individual defined contribution plan for earnings over €100k. These plan amendments were recognised in the scheme's IAS 19 funding valuation at 31 March 2015, comprising a past service credit, of which the Company's share was €40m, in the income statement with a related reduction to the scheme's liabilities for the same amount. In addition, as part of the new pension agreement TSN agreed with the Dutch trade unions to fix the Company's contribution level at 28% of pensionable earnings for the 3 year period from 1 January 2015 to 31 December 2017.

On 7 July 2015 a new SPH Pension Scheme execution agreement was signed by TSN and the SPH Pension Scheme. The agreement specifies that the Company's contribution level to the SPH Pension Scheme is no longer dependent upon the funding ratio of the scheme, and the Company will no longer have a legal or constructive obligation to pay further contributions if the scheme does 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 has been 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% (2014/15: 88.1%). 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 recognises 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% (2015: 88.1%). 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.

Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included in the balance sheet and income statement can vary significantly with only small changes in these assumptions.

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

	2016 **%**	2015 %
Salary growth	-	1.85
Pension increases	-	0.95 to 1.14
Discount rate	-	1.60
Inflation	-	1.85

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

The discount rate is set with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the scheme liabilities. Projected inflation rate and pension increases are long-term predictions based, mainly, on the yield gap between long-term fixed interest and index-linked gilts. Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction.

Income statement costs

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

- The current service cost is the actuarially determined present value of the pension benefits earned by employees in the current period. No charge or credit is reflected here for any surplus or deficit in the scheme and so the cost is unrelated to whether, or how, the scheme is funded.
- Net interest cost / (income) on the liability or asset recognised in the balance sheet.

These items are treated as a net operating cost in profit or loss 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:

	2016 €m	2015 €m
Current service cost	**28**	80
Net interest cost	**1**	2
Settlements, curtailments and past service credits	**(69)**	(40)
Defined benefit (credit)/charge	**(40)**	42
Defined contribution charge	**49**	-
Total charge for the year (Note 3)	**9**	42

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

Plan assets

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

	2016 %	2015 %
Quoted:		
Equities	**-**	35.1
Bonds – Fixed Rate	**-**	41.0
Bonds – Index Linked	**-**	1.4
Unquoted:		
Property	**-**	6.2
Derivatives	**-**	11.1
Cash and cash equivalents	**-**	5.0
Other	**-**	0.2
	-	100.0

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

Balance sheet measurement

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

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

Amounts recognised in the balance sheet arose as follows:

	2016 €m	2015 €m
Fair value of plan assets at end of year	**-**	7,224
Present value of obligation at end of year	**-**	(7,234)
Defined benefit liability at end of year	**-**	(10)
Disclosed as:		
Defined benefit liability - non current	**-**	**(10)**
Defined benefit liability at end of year	**-**	**(10)**

Amounts recognised in the balance sheet arose as follows:

	2016 €m	2015 €m
Plan assets:		
As at 1 April	**7,224**	6,117
Actuarial gain due to change in allocation ratio	**61**	14
	7,285	6,131
Return on plan assets (less)/greater than discount rate	**(345)**	1,024
Interest income on plan assets	**31**	200
Contributions from the employer	**17**	62
Contributions from plan participants	**7**	27
Benefits paid from plan assets	**(60)**	(220)
Settlement of defined benefit plan	**(6,935)**	-
As at 31 March	**-**	7,224

	2016 €m	2015 €m
Benefit obligations:		
As at 1 April	**(7,234)**	(6,097)
Actuarial loss due to change in allocation ratio	**(61)**	(14)
	(7,295)	(6,111)
Current service cost	**(28)**	(80)
Past service cost - plan amendments	**-**	40
Interest cost on defined benefit obligation	**(32)**	(202)
Actuarial gain/(loss) due to actuarial experience	**27**	(47)
Actuarial gain/(loss)loss due to financial assumption changes	**271**	(1,023)
Actuarial loss due to demographic assumption changes	**-**	(4)
Contributions from plan participants	**(7)**	(27)
Benefits paid from plan assets	**60**	220
Settlement of defined benefit plan	**7,004**	-
As at 31 March	**-**	(7,234)

Actuarial losses recorded in the statement of comprehensive income for the period were €47m (2015: €50m).

26. 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.

	2016 €m	2015 €m
Amounts reported within the income statement:		
Sales to joint ventures	**56**	63
Sales to associates	**86**	89
Sales to other Tata Steel companies	**867**	973
Purchases from joint ventures	**-**	6
Purchases from associates	**37**	36
Purchases of raw materials from other Tata Steel companies, acting as an agent	**771**	902
Purchase of emission rights from other Tata Steel companies (Note 6)	**41**	-
Interest expense on borrowings from other Tata Steel companies	**-**	4
Other purchases from other Tata Steel group companies	**160**	205
Net recharges from other Tata Steel companies	**37**	23
Amounts owed by parent undertakings (Note 11)	**5**	-
Amounts owed by other Tata Steel companies (Note 11)	**108**	189
Amounts owed by subsidiary undertakings (Note 11)	**1**	-
Amounts owed by joint ventures (Note 11)	**7**	5
Amounts owed by associates (Note 11)	**7**	4
Amounts owed to parent undertakings (Note 13)	**13**	30
Amounts owed to other Tata Steel companies (Note 13)	**45**	85
Amounts owed to subsidiary undertakings (Note 13)	**5**	4
Amounts owed to joint ventures (Note 13)	**-**	6
Amounts owed to associates (Note 13)	**4**	5
Loans from other Tata Steel group companies (Note 14)	**22**	21
Discount on disposal of trade receivables within purchase agreement with Tata subsidiary (Note 4)	**-**	1

A non-recourse securitisation agreement has been reached with Proco Issuer Pte Limited (Proco Issuer), a subsidiary of Tata Steel Global Procurement Co. Pte Limited (Proco), whereby it purchases a portfolio of trade receivables from the Company. The purchase price of these transactions is set with reference to the carrying value of the underlying receivables less a default deduction and a discount charge, with the receivables derecognised by the Company at the time of sale to Proco Issuer and a loss on sale (representing the default deduction and discount charge) recognised at the same time. The loss on sales for the period to March 2016 amounted to €nil (2015: €1m).

Details of transactions with key management personnel are given in 'Further notes to and signing of the annual accounts' on page 36.

27. Subsidiaries and investments

The subsidiary undertakings, joint ventures, joint operations and associates of the Company at 31 March 2016 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	2016 Turnover **€m**		Issued capital Number of shares	% held
The Netherlands						
GietWalsOnderhoudCombinatie B.V.	Associate	Maintenance of parts of direct sheet plant	11	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	92	Shares of €454	5,600	49
Wupperman Staal Nederland B.V.	Associate	Purchase, process, refine and sale of steel products and other metal products	243	Shares of €1,000	8,000	30
Norway						
Norsk Stal Tynnplater AS	Joint Venture	Processing of strip and long products	53	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 €875,002 was borne by the Company in the 12 months to 31 March 2016 for remuneration of the current and former members of the Board of Directors of Tata Steel IJmuiden B.V. (12 months to 31 March 2015: €2,059,867).

The amounts of loans granted as at 31 March 2016 totalled €nil (31 March 2015: €nil).

Signing of Annual Accounts

All the members of the Board of Directors have signed the 2016 Annual Accounts of Tata Steel IJmuiden B.V.

Board of Directors

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 13 July 2016

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 2016

In January 2016 a dividend of €100 million was paid.

Dividend

With regard to FY16, interim dividends of in total €100m have been distributed.

D. Independent auditor's report

To the Shareholders of Tata Steel IJmuiden B.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended March 31, 2016 of Tata Steel IJmuiden B.V., which comprise the balance sheet as per March 31, 2016, the statements of comprehensive income and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Tata Steel IJmuiden B.V. as per March 31, 2016 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that Report of the Board of Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, July 13, 2016

Deloitte Accountants B.V.

J. Hendriks