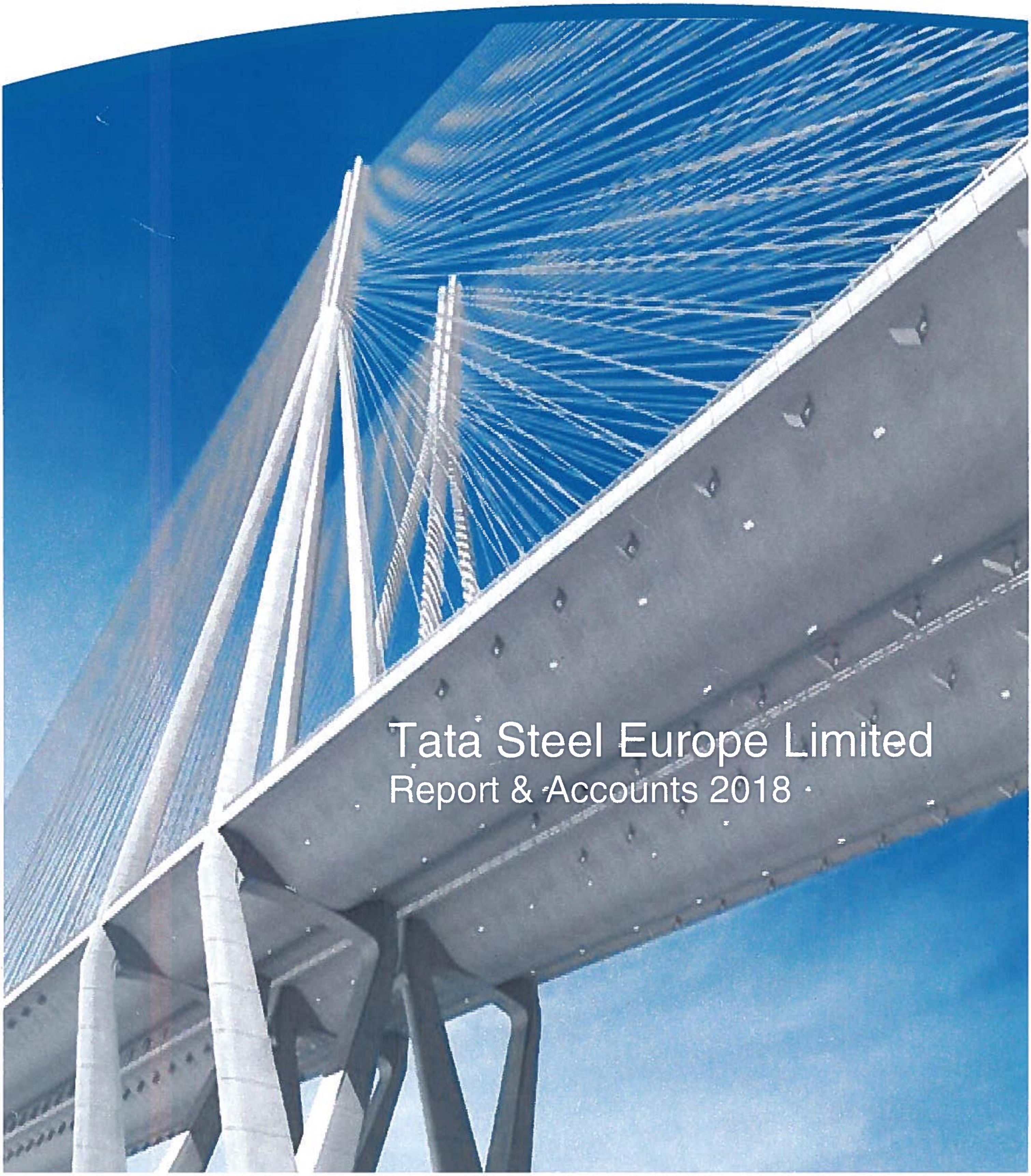
TATA STEEL

TATA



Tata Steel Europe Limited

Report & Accounts 2018

Contents

A1. Group's business

Introduction

The directors have pleasure in presenting their strategic report together with the audited accounts of Tata Steel Europe Limited ('TSE' or the 'Company'), and TSE and its consolidated subsidiary companies (the 'Group'), for the year ended 31 March 2018.

Ownership

TSE is a wholly-owned subsidiary of T S Global Holdings Pte. Limited ('TSGH'), an unlisted company registered in Singapore. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on BSE Limited (formerly the Bombay Stock Exchange Limited), Mumbai and the National Stock Exchange of India, and with global depositary receipts listed on the London and the Luxembourg Stock Exchanges. TSE's main subsidiaries are Tata Steel IJmuiden BV ('TSIJ') and Tata Steel UK Limited ('TSUK'), which are companies incorporated in the Netherlands and the UK respectively.

Principal activities

The principal activities of the Group in 2017/18 comprised the manufacture and sale of steel products throughout the world. The Group's continuing operations produced carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the Netherlands at IJmuiden and in the UK at Port Talbot. During 2017/18 these plants produced 10.7mt of liquid steel, 0.1mt higher than 2016/17. During the year 7.1mt of liquid steel was produced at IJmuiden (2016/17: 7.0mt) and 3.6mt at Port Talbot (2016/17: 3.6mt).

The Group organises its commercial activities into strategic sectors and these sector teams identify demand, which is met from a single, pan-European, supply chain function. The Group has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for the distribution and further processing of steel products.

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

Further information on TSE can be obtained from either the company's website (www.tatasteeleurope.com) and/or the TSL 2017/18 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

On 20 September 2017 TSL and thyssenkrupp AG ('tk') signed a memorandum of understanding to create a new 50:50 joint venture company called *thyssenkrupp Tata Steel*. The assets and liabilities within the proposed contributed group in TSE have not been reclassified to held for sale at 31 March 2018 as the transaction is not yet sufficiently advanced and is not expected to complete before 31 March 2019.

On 31 March 2017 the British Steel Pension Scheme ('BSPS') was closed to future accrual and, with effect from 1 April 2017, future pension accrual for eligible UK employees was provided through a contract based defined contribution group personal pension arrangement.

On 11 September 2017, the UK Pensions Regulator confirmed that it had approved a Regulated Apportionment Arrangement ('RAA') in respect of the BSPS which would separate the Scheme from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550m from TSUK was made to the BSPS and a 1/3 non-controlling interest in TSUK was issued to the BSPS under the terms of a shareholders' agreement.

TSUK agreed to sponsor a new pension scheme subject to certain qualifying conditions around size and funding being met. As the new scheme has lower future annual increases for pensioners and deferred members compared to the BSPS, it has an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to either the new scheme or remain in the BSPS which will transfer to the Pension Protection Fund ('PPF'). It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme on 28 March 2018.

On 1 May 2017 TSE's Speciality Steels business was sold to Liberty Speciality Steels Ltd ('Liberty Steel') and Liberty House Group Pte Ltd as guarantor. The Speciality Steels business was classified as held for sale at 31 March 2017 and disclosed within discontinued operations (see Notes 18 and 6 respectively).

On 31 July 2017 TSUK completed the disposal of its 42- and 84-inch pipe mills in Hartlepool to Liberty.

On 8 May 2018 TSE announced its intention to divest its Cogent, Kalzip, Firsteel, Engineering Steels Service Centre (Wolverhampton), and Tata Steel Istanbul Metals (Colors) businesses.

A2. Principal risks and uncertainties

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

Risks

Health, safety, environmental and other compliance matters

The Group's businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety, the environment and regulatory compliance in the countries in which it operates. The risk of liabilities, costs and damage to reputation related to these laws and regulations are an inherent part of the Group's business.

TSE's first priority is health and safety and available capital funding is targeted on these schemes, which can constrain and defer other expenditures.

The Group's 'license to operate' is at risk from increased costs related to the European Union Emissions Trading Scheme ('EU ETS') and a reduction in the free allocation of CO_2 emissions rights. There is an expectation that after 2020 CO_2 allocations under EU ETS are likely to be lower than TSE's projected emissions.

The Group has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the TSE Board and Executive Committee to enforce compliance, to continuously improve health and safety performance and to minimise the impact of the Group's operations on the environment.

The Group continues to engage with EU legislators to secure a level playing field, for example in areas such as the REACH (Registration, Evaluation, Authorisation & restriction of Chemicals) scheme and the EU ETS.

A focus for operations and procurement is to minimise environmental impacts by selecting raw materials on their environmental credentials (as well as quality) in order to minimise landfill tonnages and identify external opportunities for use/sale of by-products.

The Group continues to invest in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, the Group is also working on a longer term major project to develop a new smelting reduction technology ('HIsarna') to produce steel without the need for coke making or agglomeration processes, thereby improving efficiency and reducing energy consumption as well as reducing CO_2 emissions.

Our workforce

The economic climate, the global steel market and related challenges for TSE continue to put pressure on industrial relations and maintaining a critical mass of engineers and other specialist functions. In addition, developments in other engineering, construction and manufacturing will increase the challenge to recruit and retain skilled craft TSE employees.

Strategic collaborations continue with technical universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention.

The long-term success and competitiveness of steel making in the EU requires the ongoing partnership with trade bodies and continuance of beneficial industrial relations in the face of future uncertainties. Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing TSE.

Financing

TSE is financed in part through external bank facilities referred to as the senior facility agreement ('SFA'), which will require refinancing in the future. The SFA facility is provided by a syndicate of international banks, and provides flexibility to fund future capital expenditure schemes. Servicing of interest payments in challenging trading conditions continues to represent a risk to the business.

A significant amount of funding has also been provided to TSE from TSL Group companies.

In order to effectively manage this risk, the forecast requirements of the Group continue to be closely monitored and 'downside' sensitivities are undertaken regularly to ensure the adequacy of facilities.

A2. Principal risks and uncertainties

Risks

Trading in the global steel market

The Group's financial performance is influenced by the global steel market and the economic climate in Europe. The impact of Brexit is currently unknown but is likely to provide both opportunities and threats. As more information on the nature of the new relationship between the UK and the EU emerges, TSE will continue to plan for and address these changes and impacts on our customers' markets and the procurement decisions of end users.

Regulators from around the world are pushing to protect national steel industries from foreign competition. More recently this is most noticeable from the US, who have started to transform their trade policy and tariffs to protect and develop their home market. Initial exemptions have been granted but will be reassessed. These tougher international trade practices will impact the global market, further driving overcapacity and price pressures. However, US steel manufacturers cannot currently meet in full the market demand and lobbying by TSE alongside US customers will continue.

The EU ETS and UK energy costs continue to absorb additional resources when compared to competitors not subject to the same legislation. A CO_2 EU Border Tax as part of a drive to reduce CO_2 emissions from what the EU consumes as well as from what it produces continues. However the impact of Brexit on this scheme and TSE is currently unknown.

Overcapacity remains and the raw materials supply market has greater consolidation than steel, which means that suppliers with strong market power may use this position to their advantage. TSL is currently progressing a potential joint venture with tk in order to create a company with a high value, differentiated product mix, that is capable of responding to the evolving needs of customers and end users.

TSE continues to invest in commercial and operational improvement initiatives, delivering significant cost savings and differentiated propositions in the steel market.

Long term competitiveness

The Group's manufacturing facilities are largely in Europe, which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world.

Increasing raw material costs and competing materials challenge the long-term competiveness of TSE's products.

In order to maintain its ability to compete successfully in the long term the Group is undertaking a number of initiatives, including cost reduction measures and business specific improvement plans.

Alongside other specific compliance controls TSE sets clear direction on specific behaviours and ethics expected of employees and how these link to achieving TSE objectives.

The Group will continue to target and sell a high value, differentiated product mix.

Performance and operations

Even though steel margins have improved in Europe, there are ongoing challenges due to the overcapacity in Europe and the slowdown in China. The persistent overcapacity in Europe is expected to continue with demand forecast to increase by around 1% p.a. over the next 10 years.

Whilst the Group seeks to increase differentiated/premium business that is less dependent on market price movements, it still retains focus in both the UK and the Netherlands on improving its operations, consistency, and taking measures to protect against unplanned interruptions and property damage.

A2. Principal risks and uncertainties

Risks

Pensions

The Group has put in place a framework to manage pension risks and works with schemes' Trustees to ensure that obligations remain affordable and sustainable.

The key sponsor for the BSPS was TSUK. The scheme also benefitted from guarantees from other group entities and shared (on a limited basis) with bank lenders in certain security.

On 11 September 2017, the UK Pensions Regulator confirmed that it had approved a RAA in respect of the BSPS which would separate the Scheme from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550m was made by TSUK to the BSPS and shares in TSUK equivalent to a 33% non-controlling interest in the company, were issued to the BSPS under the terms of a shareholders' agreement.

TSUK agreed to sponsor a new pension scheme subject to certain qualifying conditions being met. It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme (to be known as the 'British Steel Pension Scheme') on 28 March 2018.

All members of the BSPS were given two choices: to switch to a new pension scheme providing the same benefits as BSPS but with lower future increases or to remain with the current scheme and move into the Pension Protection fund (PPF).

As the new scheme has lower future annual increases for pensioners and deferred members compared to the BSPS, it has an improved funding position, which poses significantly less risk for TSUK.

A key condition of the new BSPS going ahead was that it anticipated that the transferring assets were expected to be sufficient to meet the scheme's modified liabilities on a self-sufficiency basis with a buffer to cover residual risks. The Trustee's aim was for the new scheme always to be able to pay members benefits without needing contributions from its sponsor. This will be achieved by means of an asset portfolio with well-defined cash flows and a low risk of shortfalls in any given year. The long-term investment objective of the new scheme is to provide a high level of security of pension benefits in a cost-effective manner.

Exchange rates

The Group derives most of its revenue in the EU, but has substantial assets and sales in the UK, which is not a member of the Euro-zone. Major raw material purchases are denominated mainly in US dollars. As a result, the Group is impacted by the relationship between sterling, the Euro and the US dollar. In general, a strengthening of sterling reduces the sterling value of export revenues from the UK, it improves the relative competitiveness of steel producers in countries with weaker currencies enabling them to discount prices in the UK market, and it exposes customers to similar pressures leading to a reduction in demand for steel in the UK. In contrast, a strengthening of sterling reduces the sterling cost of the Group's raw materials, which are purchased predominantly in US dollars.

The Group operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates. The Group is also actively diversifying its geographic customer base which helps mitigate dependence on particular currency zones.

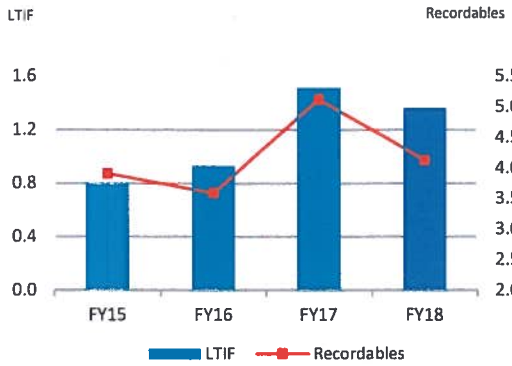
A2. Principal risks and uncertainties

Raw materials and energy	
The Group has limited access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depend, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. The Group maintains operations through strong supplier relationships and flexible sourcing. The Group continues to closely monitor market conditions and seeks to put in place contractual arrangements to ensure security of critical supplies.	The Group is working with suppliers to agree competitive prices and has agreed a range of pricing bases, whilst adjusting its commercial portfolio to maximise opportunities presented by moves to shorter term pricing. Exposure to energy shortages and price increases are mitigated by accelerating the implementation of self-generation of electricity and by initiatives to improve the Group's energy efficiency which include capital expenditure.

A3. Key Performance Indicators (KPIs)

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

Safety:



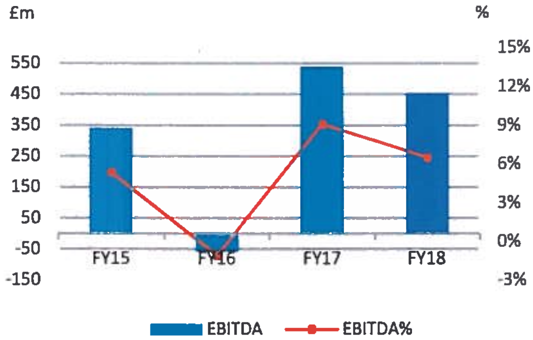
Rationale

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

Comments

- LTIF decreased to 1.36 in 2017/18, which compares to 1.51 in 2016/17.
- The recordables rate, which includes lost time injuries, decreased from 5.12 in 2016/17 to 4.13 in 2017/18.
- Whilst there continued to be a high number of slips, trips and falls during the year, performance improved as a result of various initiatives to improve hazard awareness, to accelerate deployment of standards and to improve maturity of the Group's health & safety management system.

EBITDA & EBITDA Margin:



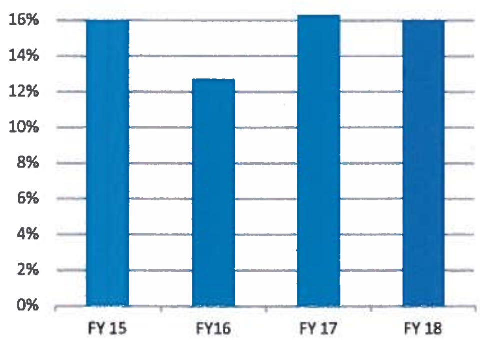
Rationale

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

Comments

- EBITDA in 2017/18 deteriorated to £453m (2016/17: £538m) and the EBITDA margin to 6% (2016/17: 9%) due mainly to lower steel margins caused primarily by increased raw material costs, and some operational issues related mainly to blast furnace instability.

Working capital/turnover:



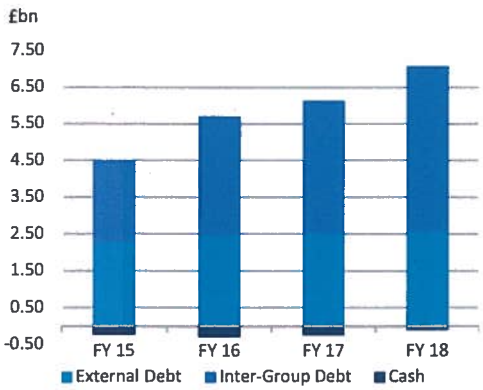
Rationale

- This shows year-end working capital as a percentage of the annualised quarter 4 revenue for each relevant year.
- It measures how efficiently the Group manages its raw material, steel and other inventories, and payment terms and cash flow with suppliers and customers.
- It excludes the impact of arrangements with TSL group companies (see Note 35).

Comments

- 16.0% for 2017/18 decreased from 2016/17 (16.3%).

Net Debt:



Rationale

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

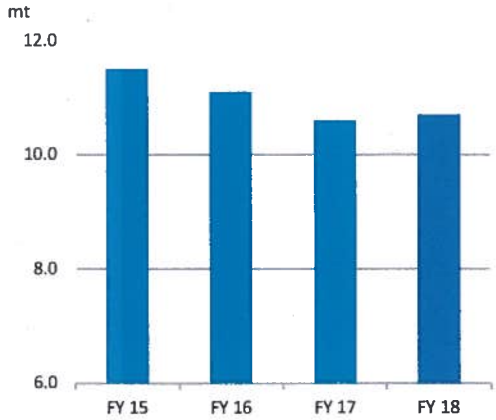
Comments

- £6,971m at the end of 2017/18 of which £4,514m is inter-group debt (2016/17: £5,893m of which £3,614m is inter-group debt) see Note 19.
- The increase in net debt is due mainly to net cash outflows used in investing activities and the payment of £550m associated with the completion of the RAA.
- The arrangements with Tata Steel Global Procurement Co. Pte Limited ('Proco') (see Note 35) continued to favourably impact net debt levels.

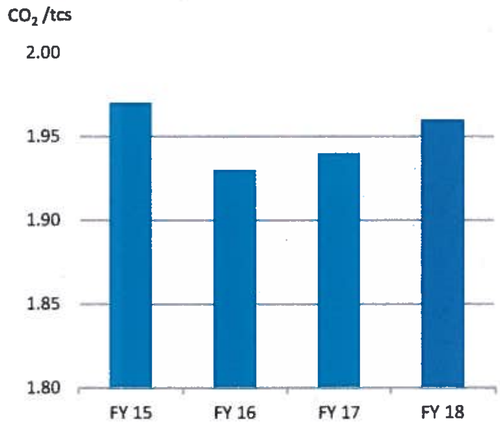
A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments
Volume Performance:	• Liquid steel production from continuing operations. This reflects the level of physical activity and is a key indicator of the manufacturing performance of upstream assets. • It is also a measure by which the steel industry compares the size of companies on a global scale.	• 10.7mt in 2017/18 (2016/17: 10.6mt). During the year 7.1mt of liquid steel was produced in at IJmuiden (2016/17: 7.0mt) and 3.6mt at Port Talbot (2016/17: 3.6mt).
Environment:	• The Group measures its CO2 emissions per tonne of crude steel produced through the integrated steelmaking route, including direct and indirect emissions.	• Emissions from continuing operations in 2017/18 at 1.96 represented a slight increase when compared to the previous year (2016/17: 1.94) as a result of various operational issues, including blast furnace instability and decreased scrap usage as a proportion of steel production.

Volume Performance:



Environment:



Business environment and prospects

Dynamics of the business

The steel industry is cyclical. Financial performance is affected by general macro-economic conditions that set the demand for steel from downstream industries, as well as by available global production capacity, raw material prices and exchange rate relativities. As integrated steel players seek to maintain high capacity utilisation, changes in margins across regions lead to changes in the geographical sales pattern. As a result, in addition to market developments in the UK and mainland Europe, changes in the global market for steel influence the financial performance of TSE.

Economic climate

Global GDP growth in 2017 was 3.0% (2016: 2.4%). The eurozone economy grew by 2.5%, which was higher than in 2016 (1.8%). In order to avoid a deflationary environment the European Central Bank extended the quantitative easing programme. The UK economy grew by 1.7% in 2017 (1.9% in 2016). The impact of the referendum to leave the EU has to date been modest except for a significant depreciation of sterling during 2016. In 2017 sterling depreciated further against the Euro from 1.16 in January 2017 to 1.13 in December 2017. GDP growth in China accelerated in 2017 to 6.9% (2016: 6.7%). The government is seeking to transform the economy from being investment led to become more consumer driven, as its cost advantage is being eroded.

Global steel market

Global steel demand increased by 4.7% in 2017 (2016: increase of 1.0%). Demand for steel in China increased by 3.0% compared to an increase of 2.4% in 2016. Steel demand in the EU grew by 1.3% (2016: 3.3%), with growth evident in all steel using sectors. The number of cars and trucks produced by the EU rose slightly by 0.3% in 2017 (2016: 3.5%). Construction activity also increased by 3.9% (2016: 2.5% increase).

In 2017, global steel production increased by 4.8% (2016: increase of 0.9%). Steel production in China increased by 4.7% (2016: increase of 1.4%) and equated to 50% of global steel production. In the EU output increased by 3.4% (2016: decrease of 2.3%).

In 2017 the EU was a net importer of steel at 11.2mt (imports: 42.3mt, exports 31.1mt). Exports from China decreased significantly in 2017 to 74.8mt (2016: 108mt). Global steelmaking capacity utilisation increased from 69% in 2016 to 72% in 2017 due to increased demand.

Steel spot prices rose globally during 2017, as a result of increased raw material prices due to higher than expected steel demand in China, which led to lower steel exports from China.

Raw materials

The principal raw materials used in the carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price of iron ore fines (China CFR 62%) decreased in 2017 from $79/t in January to $71/t in December as new, lower cost iron ore supply became available in 2017. Hard coking coal spot prices (Australia FOB) increased from $185/t to $227/t in 2017 as the Chinese government decided to enforce production restrictions on Chinese coal mines causing supply tightness. German benchmark scrap prices also increased in 2017, increasing by 16% to €290/t following the increases to prices for steel billets.

Trade

Changing trade flows in the global steel market have caused an increase in the amount of anti-dumping measures. Amongst others the US and EU have issued duties for a broad range of products, including hot and cold rolled coil. In March 2018 the US government announced that it was imposing a 25% tariff on steel imports as part of its "Section 232" ruling. This came into effect on 1 June 2018.

In 2017 steel demand in the EU increased by 2.0mt. Deliveries by EU mills rose by 2.2mt whilst imports decreased by 0.2mt. Consequently, the market share for imports into the EU decreased to 15.7% in 2017 (2016: 16.1%).

Prospects for 2018

The World Steel Association predicts modest global steel demand growth of 1.8% in 2018. EU steel demand is expected to grow by 1.9% in 2018 due to a continuation of improved economic conditions in Europe.

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

Civil society advocacy

TSE continuously engages with Governments at various levels and other civil society stakeholders such as non-Governmental organisations to inform the elements of public policy and regulation relevant to its business. Its objective is to help create the right conditions for a sustainable steel industry in terms of a level playing field versus international competitors, a competitive cost base and attractive conditions for innovation and investment. Engagement is also essential in keeping stakeholders informed of key developments in the business, such as the proposed joint venture between TSE and thyssenkrupp AG.

The fight for a level playing field against unfairly priced steel imports 'dumped' into Europe continued to be a major focus during the year. There were notable successes including the introduction of a new EU anti-dumping methodology, intended to address the issue of Market Economy Status ('MES') for China, an EU-wide agreement to modernise the EU's trade defence instruments (TDI) and the introduction of duties for specific products. However, a new threat to steel trade arose with the announcement by the USA in March 2018 to impose tariffs of 25% on steel imports. Therefore, the need for a structural reform of trade policies, in particular to address global over capacity, continues to be a key part of TSE's advocacy agenda.

Another important area of engagement with civil society stakeholders at the EU level relates to climate change and the need for the steel industry to reduce its carbon emissions in order to meet the targets set by the EU and national governments following the 2015 Paris agreement. In particular, the focus has been on the facilitation of break-through technologies like HIsarna whilst remaining competitive.

Climate change, carbon reduction and efforts to continuously reduce emissions have also been key areas of focus in the Netherlands specifically. The ambitious CO_2 reduction targets for the industry, set by the current Dutch government, and the public opinion on this topic will further increase the interaction with civil society in coming years.

Following the UK's decision to leave the EU the development of domestic UK policy to prepare for Brexit has required additional engagement activity. TSE is monitoring closely the UK's future trading relationships and is engaging with various political stakeholders to communicate the opportunities and challenges that these changes may present to TSE, and to provide input on future policies such as UK trade defence measures.

Employees

Health and safety

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

After five consecutive fatality free years across the Group, tragically Mr Kari Laiho was fatally injured in July 2017 when working at the Naantali Service Centre in Finland. Mr Laiho was struck by the tail of a coil as it unwound when the banding around the coil failed as it was being prepared for processing. Following a detailed investigation, a number of recommendations have been made for improvement, including the development of a Group-wide standard and a code of practice on coil banding/strapping, both of which are currently being developed.

Training for Group Senior Managers focusing on their leadership role related to health & safety has been completed. This was extended to more junior Business Senior Managers during 2017/18. In addition, process safety leadership training was continued throughout 2017/18.

The combined lost time injury frequency ('LTIF') rate in 2017/18 for employees and contractors improved to 1.36 compared to 1.51 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, similarly improved, although proportionally to a greater extent, from 5.12 in 2016/17 to 4.13 in 2017/18. A 'back to basics' campaign focusing on hazard identification and risk minimisation was undertaken during the year and there were various initiatives to accelerate deployment of standards and to improve the maturity of the Group's health & safety management system.

Employee numbers

At 31 March 2018 the number of employees in continuing operations in the Group was 21,100 compared to 21,100 at 31 March 2017.

On 1 May 2017 TSE completed the sale of its Speciality Steels business to Liberty Steel. The business included 1,700 employees on the date of disposal. The Speciality Steels business was disclosed in the financial statements in 2016/17 as discontinued operations.

On 10 July 2017 TSE signed a business purchase agreement with Liberty Pipes (Hartlepool) Limited and Liberty House Group Pte. Limited to divest the business and assets of the

42" and 84" SAW mills at Hartlepool. The business included 139 employees on the date of disposal.

On 8 May 2018 TSE announced its intention to divest its Cogent, Kalzip, Firsteel, Engineering Steels Service Centre (Wolverhampton), and Tata Steel Istanbul Metals (Colors) businesses. At 31 March 2018 these businesses located in the UK, Canada, Germany, Sweden and Turkey included 1,100 employees.

Employment policies

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

TSE, as part of a trans-national, multi-cultural group, is committed to providing an environment that recognises and values the differences in employee backgrounds and skills and to provide equality of opportunity for all employees regardless of gender, sexual orientation, part-time or fixed term status, parental responsibilities, marital status, race, disability, colour, national or ethnic and seeks to maximise the benefits available from a diverse workforce.

In the Netherlands the existing Tata Steel IJmuiden collective labour agreement (CLA) agreed with the Dutch Trade Unions in 2017 covered the 2 year period to end April 2019. This included a commitment from Tata Steel IJmuiden to support the participation of younger employees in its workforce by allowing two employees aged over 60 to share their job to create a position for a younger employee. In response to concerns over the higher retirement age in the Netherlands the new CLA will allow employees for a period of five years before retirement to reduce their job time by 50% in exchange for a reduction in salary and other employee benefits.

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

Gender pay

In the UK, under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, employers with more than 250 employees were required to publish their gender pay gap information by reporting the percentage differences in pay between their male and female employees. TSUK published its results on the UK Government website and also included the full gender pay report on the company's external internet site.

Relative to national and industry statistics TSUK's gender pay gap (1.7% mean gender pay gap and 4.34% median gender pay gap) is at the lower end. Although only 10% of TSUK's employees are female the company recognises that its female colleagues are represented at every level within its organisation because it believes having the right people in the right job is important.

Pension arrangements

The principal defined benefit pension scheme in the Group at 31 March 2018 is the BSPS in the UK. This came into existence on 28 March 2018 as part of the RAA agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the PPF.

The principal pension scheme in the Netherlands is the Stichting Pensioenfonds Hoogovens scheme ('SPH') which is classified in the financial statements as a defined contribution scheme.

Further details on these schemes and the above changes are provided in Note 21.

Modern Slavery Act

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or its supply chains. The TSE board has approved a statement setting out the measures taken by the Group during the financial year ended 31 March 2018. The statement will be issued by TSE on behalf of itself and its relevant UK subsidiary companies and published on the TSE website.

Environment

Policy

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

Climate change is one of the most important issues facing the world today. The Group recognises that the steel industry is a significant contributor to man-made greenhouse gas emissions as the manufacture of steel unavoidably produces CO_2.

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

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

Energy efficiency and CO_2 emissions

In the Netherlands, the Group participates in a voluntary agreement (MEE Covenant) with the Dutch government regarding energy efficiency improvements over the period 2017 to 2020 (with the previous agreements extending from 2009 to 2012 and 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 2017 was 7% (2016: 4.7%).

In the UK, as a result of being in a Climate Change Agreement ('CCA'), the Group has continued to benefit from reduced rates in relation to the Climate Change Levy ('CCL'). This CCA originally included a specific energy reduction target of 7% by 2020 (compared to 2008). However, a 'target stringency rule' in the scheme was triggered, with the need to vary the agreement and revise the baseline, as a result of the divestment of Speciality Steels. This assessment led to a tightening of the final milestone period (by 2020 compared to 2008) to 15.5% specific energy reduction. However, the third milestone period (2017 and 2018 inclusive) remains unchanged at 5.83%. Achievement of the remaining milestone targets will allow the Group to continue to benefit from reduced rates of CCL.

In April 2014, the UK Government introduced an exemption from CCL for certain metallurgical and mineralogical processes. As a result, exposure to CCL for TSE significantly reduced from 2014/15 onwards. However, the CCA (and the revised 15.5% reduction target) has been retained in order to continue to allow a reduced rate of CCL for those processes not covered by the exemption. The Group's UK operations achieved an energy reduction of 12.1% in the second milestone period (2015 and 2016 inclusive) compared to a target of 4.7%. This over-achievement, together with the over-achievement in the first target period, will be used to support achievement of the third (2017 and 2018 inclusive) and the fourth (2019 and 2020 inclusive) milestone period targets.

More generally, and as discussed elsewhere in this report, the Group continues to invest in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, the Group is also working on a longer term major research and development project to develop a new smelting reduction technology ('HIsarna') to produce steel from lower grade raw materials without the need for coke making or agglomeration processes, thereby improving efficiency and reducing energy consumption as well as reducing CO_2 emissions.

The Group met its environmental obligations in Phase 1 (2005 to 2007) and Phase 2 (2008 to 2012) of the EU ETS and expects to do the same in Phase 3 (2013 to 2020). The Group was in surplus over Phase 2, primarily as a result of generally lower production levels since October 2008. The Group is on course to emit more CO_2 than the allowances granted to it in aggregate over Phase 3, but the effect of this will be limited by a number of mitigation actions taken, such as the carry-over of a retained surplus from Phase 2. The emission rights trading price at 31 March 2018 was approximately €13 per tonne of CO_2 (31 March 2017: €5).

TSE CO_2 emissions (tonnes per tonne of crude steel) for continuing operations in 2017/18 increased to 1.96 compared to 1.94 in 2016/17 due to various operational issues, including blast furnace instability and decreased scrap usage as a proportion of steel production.

Environmental complaints

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

Climate change taxes, levies and compensation

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

Research & development

Organisational changes

In February 2018 the Swansea Research Laboratory was opened. Working closely with the Swansea University Steel and Metals Institute (SaMI) this will allow TSE to start to build research capabilities for its Port Talbot hub. The new facility will be active in the areas of product metallurgy, metallic and functional coatings and process technology support for ironmaking, steelmaking and rolling & finishing.

Research & Technology programme

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

- HIsarna technology to produce steel from lower grade raw materials without the need for coke making or agglomeration processes. This will improve efficiency and reduce energy consumption as well as reduce CO_2 emissions;
- Graphene based value add products focused on the development of high value niche market segments for coated products;
- Physical vapour deposition, a cold zinc coating technology that allows an extension of TSE's zinc coated product range towards the future UHSS automotive grades well above 1000 MPa;
- Ultra-flexible annealing of tubes that allows multiple end product specifications to be produced from a limited number of chemistries, whilst improving the properties of the end product;
- Waste heat recovery through direct conversion with Thermo Electric Generator modules (TEG). A successful pilot was completed in the year in the IJmuiden BOS plant with further scale up planned as part of the IJmuiden energy efficiency programme;
- Use of advanced analytics to introduce fundamental changes in manufacturing and all TSE business processes; and
- Collaborating with various selected Universities (DENS programme) to accelerate the development of digital twins of TSE's manufacturing and product application models and to link these together though the entire manufacturing chain.

Process development

The process technology programme in 2017/18 was focused on robust and stable manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports the Group's manufacturing and differentiated product strategy. Key achievements during FY18 were:

- Improved temperature control on TSE's tall annealing lines to facilitate the production of products within tighter tolerances and to enhance their capabilities, especially towards high end differentiated products;
- Using new 3D visualisation techniques for continuous optimisation of raw materials;
- Supporting high speed zinc coating processes without compromising product quality; and

- Modelling the wear of refractories to improve reliability and reduce cost.

Product market sector developments

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

During 2017/18 a total of 23 new products were introduced into the Group's product portfolio of which the most significant ones included:

- Extensions to TSE's Serica® wide strip products for use in high gloss automotive body panels;
- Hot rolled high strength steels with a minimum strength of 700MPa and a guaranteed toughness at low temperatures;
- Next generation Colorcoat Prisma that is entirely chromium free;
- Development of bake hardening grades with a width of up to 2020 mm and low waviness for automotive fully finished bodyparts;
- Nickel plated Interstitial Free (IF) grades for lithium ion batteries;
- Protact products suitable for three piece welded cans; and
- Coretinium (28mm) sandwich panels with an extreme stiffness to weight ratio.

Post balance sheet events

On 8 May 2018 TSE announced its intention to divest its Cogent, Kalzip, Firsteel, Engineering Steels Service Centre (Wolverhampton), and Tata Steel Istanbul Metals (Colors) businesses.

On 31 May 2018, TSE received an additional loan of €635m from TSGH. The proceeds from this loan were used to make a partial prepayment on the SFA. The loan from TSGH to TSE is a short term loan and interest is charged at Euribor +3.58% which is the same as the applicable rate on the SFA.

Starting from 1st June 2018 the United States of America ('USA') has imposed additional duties of 25% on imports of Steel from the European Union, Mexico and Canada. TSE have been working with their customers in the USA to try and mitigate the effect of these tariffs. However currently the effect of these new tariffs on TSE is unknown.

A5. Financial Review

£m	2017/18 Before exceptional items	2017/18 Exceptional items (Note 3)	2017/18 After exceptional items	2016/17 Before exceptional items	2016/17 Exceptional items (Note 3)	2016/17 After exceptional items
Liquid steel production (mt)	10.7	-	10.7	10.6	-	10.6
Steel deliveries (mt)	10.0	-	10.0	9.9	-	9.9
Revenue	**6,988**	**-**	**6,988**	**5,931**	**-**	**5,931**
EBITDA	**453**	**1,614**	**2,067**	**538**	**(413)**	**125**
Depreciation and amortisation (net of grants)	(206)	-	(206)	(192)	-	(192)
Operating profit/(loss) before restructuring, impairment and disposals	**247**	**1,614**	**1,861**	**346**	**(413)**	**(67)**
Restructuring, impairment and disposals	(38)	-	(38)	(48)	-	(48)
Operating profit/(loss)	**209**	**1,614**	**1,823**	**298**	**(413)**	**(115)**
Net finance costs	(450)	-	(450)	(384)	-	(384)
Share of post-tax results of joint ventures and associates	9	-	9	6	-	6
(Loss)/profit before taxation	**(232)**	**1,614**	**1,382**	**(80)**	**(413)**	**(493)**
Taxation charge	(42)	-	(42)	(50)	-	(50)
(Loss)/profit after taxation from continuing operations	**(274)**	**1,614**	**1,340**	**(130)**	**(413)**	**(543)**
Profit/(loss) after taxation from discontinued operations	7	-	7	(521)	-	(521)
(Loss)/profit after taxation	**(267)**	**1,614**	**1,347**	**(651)**	**(413)**	**(1,064)**

Profit and loss

Group revenue from continuing operations of £6,988m in 2017/18 was 18% higher than the previous year due to a 17% increase in average revenue per tonne caused by a further improvement to EU steel selling prices due to increased raw material prices and the European Commission implementing some anti-dumping duties for specific products. Selling prices in TSE's UK operations continued to benefit from a favourable sterling/euro exchange rate. Deliveries also improved, increasing by 1% due to higher liquid steel production.

The operating result before restructuring, impairment and disposals from continuing operations in 2017/18 was a profit of £1,861m but included a net exceptional credit of £1,614m comprising a net pension credit of £1,640m arising from the BSPS RAA and the resulting implementation of a less valuable benefit structure in the new BSPS compared to the old BSPS (see note 21), and an exceptional charge of £26m in respect of a provision for potential customer claims. This compared to an exceptional charge of £413m in 2016/17 in respect of a curtailment strain to the BSPS following its closure to future accrual on 31 March 2017. Excluding these exceptional items in both years the operating result before restructuring, impairment and disposals from continuing operations in 2017/18 was a profit of £247m, £99m lower than the previous year due to lower steel margins caused primarily by increased raw material costs, and some operational issues related mainly to blast furnace instability.

Excluding the exceptional items, EBITDA decreased from £538m in 2016/17 to £453m in 2017/18 due to the same reason. This equated to an EBITDA margin of 6% (2016/17: 9%).

The operating result before exceptional items from continuing operations was a profit of £209m in 2017/18, £89m lower than 2016/17. The restructuring and impairment charge of £38m in 2017/18 (2016/17: £48m) included impairment charges against downstream assets, in particular the UK (see Note 2).

Net finance costs in 2017/18 of £450m were £66m higher than the previous year primarily due to increased charges of £47m on increased intra-group borrowings, £11m on bank and other borrowings and £10m on working capital arrangements with T S Global Procurement Co. Pte Limited ('Proco') (see Note 4). The Group share of post-tax results of joint ventures and associates in 2017/18 was a profit of £9m (2016/17: £6m) due to improved profitability in mainly Dutch based entities where TSE has a non-controlling interest.

Taxation from continuing operations was a net charge of £42m in 2017/18 (2016/17: £50m) due primarily to deferred tax charges of £37m recognised in the income statement to offset a net deferred tax credit in reserves relating mainly to BSPS actuarial losses.

The loss after tax before exceptional items from continuing operations in 2017/18 was £274m, £144m worse than 2016/17 due mainly to the lower operating result and increased finance charges.

The profit after taxation from discontinued operations in 2017/18 at £7m related mainly to the divestment of TSE's Long Products business which was divested on 31 May 2016. This compared to a loss of £521m in 2016/17 attributable to the Long Products business disposal and the divestment of TSE's Speciality business which was classified as held for sale at 31 March 2017 (see Note 6).

The Group result after taxation and exceptional items in 2017/18 was a profit of £1,347m (2016/17: loss of £1,064m) with £842m (2016/17: £1,064m) attributable to the owners of the company and £505m (2016/17: £nil) attributable to the BSPS's non-controlling interest in TSUK.

Financing

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

- a bullet term loan facility of €370m for five years;
- an amortising term loan facility of €1,500m for seven years (amortisation starts from the end of year five);
- an amortising term loan facility of US$379.5m for seven years (amortisation starts from the end of year five); and
- a revolving credit facility of £700m for six years (this facility may be extended by a further year if certain conditions are satisfied).

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

On 31 May 2018 a prepayment of €635m was made in regards to the SFA. For further details refer to post balance sheet events on page 14.

Acquisitions and Disposals

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

On 10 July 2017 TSE completed the disposal of its entire 50% equity interest in Tata Elastron SA to the JV partner Elastron SA.

On 31 July 2017 TSUK completed the disposal of its 42- and 84-inch pipe mills in Hartlepool plus working capital to Liberty.

On 20 September 2017 TSL and tk signed a memorandum of understanding to create a new 50:50 joint venture company called *thyssenkrupp Tata Steel*. The assets and liabilities within the proposed contributed group in TSE have not been reclassified to held for sale at 31 March 2018 as the transaction is not yet sufficiently advanced and is not expected to complete before 31 March 2019.

On 8 May 2018 TSE announced its intention to divest its Cogent, Kalzip, Firsteel, Engineering Steels Service Centre (Wolverhampton), and Tata Steel Istanbul Metals (Colors) businesses.

Cash flow

Net cash flow from operating activities in 2017/18 was an outflow of £461m (2016/17: inflow of £267m) but included as part of the RAA a one-off payment of £550m to the BSPS and a net cash outflow of £73m (2016/17: £398m inflow) from working capital financing arrangements with Proco.

The working capital/turnover ratio (excluding the impact of arrangements with TSL Group companies) decreased to 16.0% at 31 March 2018 (31 March 2017: 16.3%).

Net cash flow used in investing activities was an outflow of £372m (2016/17: £490m) due mainly to property, plant and equipment capital expenditure of £384m (2016/17: £351m). The previous year included a cash outflow of £127m from the sale of subsidiaries. After a net cash inflow of £685m from financing activities (2016/17: inflow of £156m) arising from increased funds from borrowings, this gave a net decrease in cash and cash equivalents of £148m (2016/17: £67m).

Capital expenditure

Capital expenditure on property, plant and equipment in 2017/18 at £384m (2016/17: £351m) included spend on a number of major capital projects in both the Netherlands and the UK. In the Netherlands, these included in the Strip

Products Mainland Europe business, significant capital expenditure on the Strategic Asset Roadmap Programme

(STAR) to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. Key STAR activities during 2017/18 included further progress towards the installation of a new caster to allow enhance casting capabilities for advanced products and the commissioning of a heavy duty coiler at the hot strip mill. In the Packaging business the introduction of Protact®, a multi-layered polymer system that meets increasingly stringent food requirements was progressed.

The main projects within the UK in 2017/18 included within the Strip Products UK business the installation of an automotive finishing line which is key to the strategic development of the UK's automotive full finish capability and the ongoing essential replacement of the Basic Oxygen Steelmaking (BOS) converter vessel replacement.

Balance sheet

TSE's consolidated net liabilities at 31 March 2018 were £2,348m (31 March 2017: net liabilities of £3,492m). The improvement of £1,144m was due to the profit after taxation of £1,347m partly offset by other comprehensive losses of £203m (2016/17: £388m) caused mainly by actuarial losses on defined benefit pension and other post-retirement plans (see page 25).

Net debt at 31 March 2018 amounted to £6,971m (31 March 2017: £5,893m). Of the gross debt, approximately 65% related to borrowings from within the TSL Group (31 March 2017: 61%) which includes £4,060m (31 March 2017: £3,140m) of subordinated debt. Cash and short term deposits at 31 March 2018 amounted to £99m (31 March 2017: £239m). Further details on borrowings can be found in Note 19.

Financial risk management

TSE's financial risk management is based upon sound economic objectives and good corporate practice. The Group's main financial risks are related to the availability of funds to meet its business needs, and movements in interest rates, exchange rates and commodity costs. Derivative and other financial instruments are used to manage any exposures where considered appropriate. Further details of its financial risks, and the way the Group mitigates them, are set out in Note 24.

A6. Approval of Strategic Report

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

Approved by the Board of Directors and signed by order of the Board by:

H Matheson
Company Secretary
27 June 2018

B. Directors' Report

The Board

The directors of the Company who served throughout the period from 1 April 2017 to the date of this report (unless otherwise stated) were as follows:

A M Robb (Non-Executive Director)
J L M Fischer (Chief Executive Officer)
P M M Blauwhoff (Non-Executive Director, appointed 26 June 2017)
K Chatterjee
I Hussain (retired on 2 September 2017)
B Jha
N K Misra
T V Narendran
J H Schraven (retired on 26 June 2017)

There are established Board committees for audit, remuneration and pension matters, and regular meetings are held during the year. Health, safety and environment matters are considered by the Safety, Health and Environment ('SHE') committee established for the TSL Group.

Directors' indemnity

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

Dividends

The directors do not recommend that a dividend be paid and no dividends were paid or proposed during the year (2016/17: nil).

Political donations

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

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

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

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

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

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

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed as auditor to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an AGM. Price Waterhouse & Co Chartered Accountants LLP in India is the auditors of the ultimate parent company, TSL.

Company's financial position

The Directors note that the Company balance sheet as at 31 March 2018 was in a net liability position of £1,922m. This is predominantly the result of non-cash impairments charges made against the carrying value of the Company's investments in subsidiary undertakings which total £5,915m at 31 March 2018. The Company's net liabilities include £3,569m of sub-ordinated loans from its immediate parent company on which cash interest is not paid and is therefore similar in nature to equity. The Directors intend to request the immediate parent company to convert some of this non performing debt into equity in the near future in order to restore a net asset position.

Going concern

The directors have assessed the future funding requirements of the Group and the Company, and have compared them to the level of available borrowing facilities, including working capital facilities authorised and supported by the ultimate parent, TSL, and assessed future financial performance against the borrowing facilities as set out in Note 19 to the financial statements, and as supported by a commitment from TSL. As part of these assessments, the directors considered a number of scenarios including the impact of lower steel margins than had been assumed in the Group's Annual Plan, which may be caused by the introduction of trade barriers and tariffs, the requirement for a material debt financing to be obtained by the proposed thyssenkrupp Tata Steel joint venture, whilst recognising the significant milestones still required in relation to the latter, and the mitigating actions the Group could take to limit any adverse consequences. Having undertaken this work, the directors are of the opinion that the Group has access to adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

Information provided in the Strategic report

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

- Particulars of any events affecting the Company (or any of its subsidiary undertakings) which have occurred since the end of the financial year (see page 14);
- Factors likely to affect the Group's future development, performance and position (see page 9);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 11);
- Research & development activities (see page 13);
- Principal risks and uncertainties (see page 3);
- Business review (see page 9); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 17).

By order of the Board
H Matheson
Company Secretary
27 June 2018

C. Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

H Matheson

By order of the Board
H Matheson
Company Secretary
27 June 2018

D. Independent Auditor's Report

Report on the audit of the financial statements

Opinion

In our opinion:

- Tata Steel Europe Limited's group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the Parent Company's affairs as at 31 March 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 March 2018; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Parent Company statements of changes in equity for the year then ended; the presentation of accounts and accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

KE Finn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
27 June 2018

E1. Consolidated income statement

For the financial year ended 31 March

	Note	2018 Before exceptional items £m	2018 Exceptional items (Note 1) £m	2018 Total after exceptional items £m	2017 Before exceptional items £m	2017 Exceptional items (Note 1) £m	2017 Total after exceptional items £m
Revenue		**6,988**	**-**	**6,988**	5,931	-	5,931
Operating costs	1	**(6,779)**	**1,614**	**(5,165)**	(5,633)	(413)	(6,046)
Operating profit/(loss)		**209**	**1,614**	**1,823**	298	(413)	(115)
Finance costs	4	**(456)**	**-**	**(456)**	(388)	-	(388)
Finance income	4	**6**	**-**	**6**	4	-	4
Share of post-tax results of joint ventures and associates	10 (iv)	**9**	**-**	**9**	6	-	6
(Loss)/profit before taxation		**(232)**	**1,614**	**1,382**	(80)	(413)	(493)
Taxation charge	5	**(42)**	**-**	**(42)**	(50)	-	(50)
(Loss)/profit after taxation from continuing operations		**(274)**	**1,614**	**1,340**	(130)	(413)	(543)
Profit/(loss) after taxation from discontinued operations	6	**7**	**-**	**7**	(521)	-	(521)
(Loss)/profit after taxation		**(267)**	**1,614**	**1,347**	(651)	(413)	(1,064)
Attributable to:							
Owners of the Company				**842**			(1,064)
Non-controlling interests	27			**505**			-

All references to 2018 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 38 refer to the financial period ended 31 March 2018 or as at 31 March 2018 as appropriate (2017: the financial period ended 31 March 2017 or as at 31 March 2017).

Notes and related statements forming part of these accounts appear on pages 37 to 82.

E2. Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2018 £m	2017 £m
Profit/(loss) after taxation		**1,347**	(1,064)
Continuing operations:			
Items that will not be reclassified subsequently to the income statement:			
Actuarial losses on defined benefit pension and other post-retirement plans	21	**(202)**	(467)
Income tax relating to items that will not be reclassified	5	**35**	80
Items that may be reclassified subsequently to the income statement:			
Available for sale investments		**-**	(1)
(Losses)/gains arising on cash flow hedges	24	**(13)**	16
Income tax relating to items that may be reclassified	5	**4**	(5)
Foreign exchange on currency net investments		**(27)**	(15)
Foreign exchange recycled to income statement on disposal of Group company		**-**	2
Discontinued operations:			
Items that may be reclassified subsequently to the income statement:			
Foreign exchange on currency net investments		**-**	(1)
Foreign exchange recycled to income statement on disposal of Group company		**-**	3
Other comprehensive loss for the year net of tax		**(203)**	(388)
Total comprehensive profit/(loss) for the year		**1,144**	(1,452)
Attributable to:			
Owners of the Company		**422**	(1,452)
Non-controlling interests	27	**722**	-

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

Notes and related statements forming part of these accounts appear on pages 37 to 82.

E3. Consolidated and Parent Company balance sheets

As at 31 March	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets					
Goodwill	7	**405**	405	**-**	-
Other intangible assets	8	**102**	92	**131**	100
Property, plant and equipment	9	**2,242**	1,970	**-**	-
Equity accounted investments	10	**40**	34	**-**	-
Investments in subsidiary and fellow group undertakings	10	**-**	-	**1,493**	581
Other investments	11	**33**	45	**-**	-
Long term receivables	12	**37**	-	**-**	-
Retirement benefit assets	21	**2,229**	216	**-**	-
Deferred tax assets	13	**98**	96	**8**	8
		5,186	2,858	**1,632**	689
Current assets					
Inventories	14	**1,492**	1,453	**-**	-
Trade and other receivables	15	**818**	861	**203**	192
Current tax assets	16	**7**	3	**-**	-
Short-term investments	17	**-**	5	**-**	-
Cash and short-term deposits	17	**99**	239	**1**	2
Assets classified as held for sale	18	**-**	110	**-**	-
		2,416	2,671	**204**	194
TOTAL ASSETS		**7,602**	5,529	**1,836**	883
Current liabilities					
Inter-group borrowings	19	**(279)**	(304)	**(279)**	(304)
External borrowings	19	**(637)**	(613)	**-**	-
Trade and other payables	20	**(2,423)**	(2,382)	**(145)**	(101)
Current tax liabilities	16	**(15)**	(9)	**-**	-
Retirement benefit obligations	21	**(3)**	(3)	**-**	-
Short-term provisions and other liabilities	22	**(51)**	(35)	**-**	-
Liabilities classified as held for sale	18	**-**	(36)	**-**	-
		(3,408)	(3,382)	**(424)**	(405)
Non-current liabilities					
Inter-group borrowings	19	**(4,235)**	(3,310)	**(3,334)**	(2,451)
External borrowings	19	**(1,919)**	(1,906)	**-**	-
Deferred tax liabilities	13	**(2)**	(1)	**-**	-
Retirement benefit obligations	21	**(123)**	(131)	**-**	-
Provisions and other liabilities	22	**(239)**	(257)	**-**	-
Other non-current liabilities	23	**(14)**	(20)	**-**	-
Deferred income	25	**(10)**	(14)	**-**	-
		(6,542)	(5,639)	**(3,334)**	(2,451)
TOTAL LIABILITIES		**(9,950)**	(9,021)	**(3,758)**	(2,856)
NET LIABILITIES		**(2,348)**	(3,492)	**(1,922)**	(1,973)
Equity					
Called up share capital	26	**4,139**	4,139	**4,139**	4,139
Accumulated deficit		**(6,713)**	(7,926)	**(6,061)**	(6,112)
Other components of equity		**256**	295	**-**	-
Equity attributable to owners of the Company		**(2,318)**	(3,492)	**(1,922)**	(1,973)
Non-controlling interests	27	**(30)**	-	**-**	-
TOTAL EQUITY		**(2,348)**	(3,492)	**(1,922)**	(1,973)

The Company recorded a profit of £51m (2017: loss of £4,178m) and has taken advantage of the exemption under section 408 of the Companies Act 2006 allowing it not to present its own income statement. For further information on the Company's net liability position, please refer to page 19.

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

N K Misra
Executive Director, Finance
27 June 2018
Tata Steel Europe Limited
Registered No: 05957565

E4. Consolidated and Parent Company statements of changes in equity

Group:

	Share capital £m	Accumulated deficit £m	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 31 March 2016	**4,000**	**(6,475)**	**(2)**	**299**	**(1)**	**(2,179)**	**-**	**(2,179)**
Loss for the year	-	(1,064)	-	-	-	**(1,064)**	-	**(1,064)**
Other comprehensive loss for the year	-	(387)	11	(11)	(1)	**(388)**	-	**(388)**
Total comprehensive (loss)/income for the year	-	(1,451)	11	(11)	(1)	**(1,452)**	-	**(1,452)**
Issue of ordinary shares	139	-	-	-	-	**139**	-	**139**
Balance as at 31 March 2017	**4,139**	**(7,926)**	**9**	**288**	**(2)**	**(3,492)**	**-**	**(3,492)**
Profit for the year	-	842	-	-	-	**842**	505	**1,347**
Other comprehensive loss for the year	-	(381)	(12)	(27)	-	**(420)**	217	**(203)**
Total comprehensive income for the year	-	461	(12)	(27)	-	**422**	722	**1,144**
Adjustment arising from the issue of a non-controlling interest in TSUK to the BSPS (Note 27)	-	752	-	-	-	**752**	(752)	-
Balance as at 31 March 2018	**4,139**	**(6,713)**	**(3)**	**261**	**(2)**	**(2,318)**	**(30)**	**(2,348)**

Company:

	Share capital £m	Accumulated deficit £m	Total equity £m
Balance as at 31 March 2016	**4,000**	**(1,934)**	**2,066**
Loss for the year	-	(4,178)	**(4,178)**
Issue of ordinary shares	139	-	139
Balance as at 31 March 2017	**4,139**	**(6,112)**	**(1,973)**
Profit for the year	-	51	**51**
Balance as at 31 March 2018	**4,139**	**(6,061)**	**(1,922)**

The Company statement of changes in equity is presented for the first time in the current year.

Notes and related statements forming part of these accounts appear on pages 37 to 82.

E5. Consolidated statement of cash flows

For the financial year ended 31 March	Note	2018 £m	2017 £m
Operating activities			
Cash generated from operations	31	**328**	485
Interest paid		**(231)**	(209)
Interest element of finance lease rental payments		**(4)**	(5)
BSPS RAA Payment	21	**(550)**	-
UK corporation tax		**(2)**	(2)
Overseas taxation		**(2)**	(2)
Net cash flow (used in)/generated from operating activities		**(461)**	267
Investing activities			
Purchase of property, plant and equipment		**(384)**	(351)
Sale of property, plant and equipment		**5**	4
Purchase of other intangible assets		**(22)**	(23)
Sale of other fixed asset investments		**20**	5
Sale of businesses and subsidiary undertakings	34	**(3)**	(127)
Sale of investments in joint ventures	10	**-**	1
Dividends from joint ventures and associates	10	**3**	3
Dividends received from investments		**1**	-
Interest received		**5**	1
Cash placed on deposit		**3**	(3)
Net cash flow used in investing activities		**(372)**	(490)
Financing activities			
New loans (including drawdowns of revolving credit facility)		**1,089**	762
Repayment of borrowings (including repayments of revolving credit facility)		**(397)**	(734)
Capital element of finance lease rental payments		**(12)**	(11)
Proceeds from sale and leaseback		**5**	-
Proceeds on issue of shares		**-**	139
Net cash flow generated from financing activities		**685**	156
Decrease in cash and cash equivalents	33	**(148)**	(67)
Cash and cash equivalents at beginning of period	33	**237**	285
Effect of foreign exchange rate changes	33	**3**	19
Cash and cash equivalents at end of period	**33**	**92**	237
Cash and cash equivalents consist of:			
Cash and short-term deposits	17	**99**	239
Bank overdrafts	19	**(7)**	(2)
		92	237

The consolidated statement of cash flows is presented on a total operations basis, which includes continuing and discontinued operations. For cash flows relating to discontinued operations, refer to note 6 (v).

Notes and related statements forming part of these accounts appear on pages 37 to 82.

E6. Presentation of accounts and accounting policies

I Basis of preparation

TSE is a private limited company incorporated in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Group for the year ended 31 March 2018 comprise the Company and its subsidiaries and the Group's interest in its joint ventures and associated undertakings.

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

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

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

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

As set out in the Directors Report on page 19, the Board of Directors have assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

II New Standards and interpretations applied

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

		Effective Date*
IAS 7 (Amendments)	Statement of Cash Flows	1 Jan 2017
IAS 12 (Amendments)	Income Taxes	1 Jan 2017
IFRS 12 (Amendments)	2014-2016 Annual Improvements cycle	1 Jan 2017

** periods commencing on or after*

The Amendments to the above Standards have had no material impact on the TSE financial statements.

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2017 except for IAS 2 'Inventories'. From July 2017 TSE changed the cost formula in its Inventory accounting policy from 'first-in, first-out' ('FIFO') to weighted average cost in order to align to the cost formula used by its ultimate parent company, TSL. However, the effect of this change in accounting policy was not material in both the current and prior year. Accordingly, there has been no restatement of the prior year results for this change in accounting policy.

III New Standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following Standards, which are relevant to the Group's reporting but have either not been applied as they have not been adopted for use in the EU in the year ended 31 March 2018, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IFRS 2 (Amendments)	Share-Based Payment	1 Jan 2018
IAS 40 (Amendments)	Investment Property	1 Jan 2018
IFRS 4 (Amendments)	Insurance Contracts	1 Jan 2018
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 Jan 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 Jan 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 Jan 2019
IFRS 17	Insurance Contracts	1 Jan 2021
IFRIC 22 (Revised Interpretation)	Foreign Currency Transactions and Advance Consideration	1 Jan 2018

IFRIC 23 (Revised Interpretation)	Uncertainty over Income Tax Treatments	1 Jan 2019
IFRS 1 & IAS 28 (Amendments)	2014-2016 Annual Improvements cycle	1 Jan 2018
IFRS 3, IFRS 11, IAS 12 & IAS 23 (Amendments)	2015-2017 Annual Improvements cycle	1 Jan 2019

** 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 TSE financial statements.

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

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

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

IV Use of estimates and critical accounting judgements

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

(i) reported amounts of assets and liabilities;

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

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

Critical accounting judgements and the key sources of estimation or uncertainty in applying the Group's accounting policies arise in relation to the impairment of property, plant and equipment and goodwill, assets held for sale and discontinued operations, the recognition of deferred tax assets, retirement benefits, provisions created for rationalisation and related costs, environmental remediation, legal claims and employee benefits. Within the Company accounts the critical accounting judgement and key source of estimation uncertainty is in respect of the impairment of the Company's investments. Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment in future periods.

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

The recognition of non-current assets (or disposal groups) as held for sale is dependent upon whether its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Significant judgement is required to assess whether the sale of the assets (or disposal group) is highly probable.

The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur, based on the Group's annual plans and future forecasts. Further information can be found in note 13.

The Group's retirement benefit obligations are subject to a number of judgements including discount rates, inflation, salary growth and mortality rates. Significant judgement is required when setting these criteria and a change in each of these assumptions would have a significant impact on the amounts recorded within the Group balance sheet and income statement. The Group sets these judgements based on previous experience and third party actuarial advice. The Group's main defined benefit scheme, being BSPS in the UK, is in a net surplus position at the balance sheet date on an IAS 19 basis. The surplus in the BSPS is not immediately realisable. The final amount realised may differ from the amount recognised in the balance sheet. Further details on the Group's retirement benefit obligations, including a sensitivity analysis of key judgements are included within note 21.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation, legal claims and employee benefits are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of those costs. Further details on the Group's redundancy and rationalisation provisions can be found in note 2 and in note 22.

Judgement has been exercised by the Company when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Further information surrounding exceptional items can be found in note 1.

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

V Critical accounting policies

(a) Property, plant and equipment

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

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit and loss.
Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and also spares, against which impairment provisions are made where necessary to cover slow moving and obsolete items.

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

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

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

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

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

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

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

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

(c) Non-current assets and disposal groups held for sale and discontinued operations

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

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

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

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

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

(d) Taxation

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

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

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

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

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

(e) Retirement benefit costs

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

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

Past service cost is recognised immediately to the extent that the benefits are already vested, or if not already vested is amortised on a straight-line basis over the average period until the benefits become vested.

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

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined pension scheme, the BSPS. This provides additional clarity on the role of trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. Based on the new BSPS scheme rules as at 31 March 2018 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the new BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(f) Provisions

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

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

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

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

VI Other accounting policies

(a) Basis of consolidation

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

(b) Business combinations

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

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

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

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

(c) Revenue

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

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

(d) Government grants

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

(e) Insurance

Certain aspects of the Group's insurances are handled by its captive insurance company, Crucible Insurance Company Limited, which accounts for all insurance business on an annual basis and the net consolidated result is dealt with as part of the operating costs in these accounts. Insurance premiums in respect of insurance placed with third parties and reinsurance premiums in respect of risks not retained by the Group's captive insurance company are charged to profit and loss in the period to which they relate.

(f) Financing items

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

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment from

1 April 2009, is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

(g) Foreign currencies

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

Exchange differences on the retranslation of the opening net investment in foreign enterprises and the retranslation of profit and loss items from average to closing rate are recorded as movements on reserves. Such cumulative exchange differences are transferred to profit and loss on subsequent disposal of the foreign enterprise and for other substantial reductions in capital in these enterprises during the period. Under IAS 21, cumulative translation differences on the consolidation of subsidiaries are only being accumulated for each individual subsidiary from the date of acquisition.

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

(h) Financial instruments

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

(i) Trade receivables

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

(ii) Other investments

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

(iii) Financial liabilities and equity related instruments

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

(iv) Bank borrowings

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

(v) Trade payables

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

(vi) Equity instruments

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

(vii) Derivative financial instruments and hedge accounting

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

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value. For forward currency contracts, interest rate swaps and commodity contracts the fair values are determined based on market forward rates at the end of the reporting period. The Group seeks to adopt hedge accounting for these currency, interest rate and commodity contracts. This means that, at the inception of each hedge there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The methodology of testing the effectiveness and the reliability of this approach for testing is also considered and documented at inception. This effectiveness is assessed on an ongoing basis throughout the life cycle of the hedging relationship. In particular, only forecast transactions that are highly probable are subject to cash flow hedges. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit and loss in the same period in which the hedged item affects profit and loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss as they arise.

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

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

(i) Other intangible assets

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

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

(i) completion of the development is technically feasible;

(ii) it is the intention to complete the intangible asset and use or sell it;

(iii) it is clear that the intangible asset will generate probable future economic benefits;

(iv) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

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

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

(j) Leases

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

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

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

(k) Joint ventures, joint operations and associates

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

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

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

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

(l) Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. 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.

From July 2017 TSE changed the cost formula in its Inventory accounting policy from FIFO to weighted average cost in order to align to the cost formula used by its ultimate parent company, TSL. However, the effect of this change in accounting policy was not material in both the current and prior year. Accordingly, there has been no restatement of the prior year results for this change in accounting policy.

(m) Cash and cash equivalents

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

For the financial year ended 31 March

1. Operating costs

	2018 £m	2017 £m
Costs by type:		
Raw materials and consumables	**3,508**	2,860
Maintenance costs (excluding own labour)	**467**	443
Other external charges (including fuels & utilities, hire charges and carriage costs)	**951**	855
Employment costs (Note 3)	**(333)**	1,682
Depreciation, amortisation and impairments (Notes 8 and 9)	**243**	237
Regional development and other grants relating to property, plant and equipment released (Note 25)	**(2)**	(2)
Other operating items (including rents, rates, insurance and general expenses)	**410**	306
Changes in inventory of finished goods and work in progress	**(42)**	(303)
Own work capitalised	**(39)**	(30)
Profit on disposal of property, plant and equipment	**(1)**	-
Loss/(profit) on disposal of group undertakings (Note 34)	**3**	(2)
	5,165	6,046

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals (i) £m	Exceptional items (ii) £m	Total £m
The above cost in 2018 include:				
Raw materials and consumables	3,508	-	-	**3,508**
Maintenance costs (excluding own labour)	467	-	-	**467**
Other external charges (including fuels & utilities, hire charges and carriage costs)	951	-	-	**951**
Employment costs (Note 3)	1,306	1	(1,640)	**(333)**
Depreciation, amortisation and impairments (Notes 8 and 9)	208	35	-	**243**
Regional development and other grants relating to property, plant and equipment released (Note 25)	(2)	-	-	**(2)**
Other operating items (including rents, rates, insurance and general expenses)	384	-	26	**410**
Changes in inventory of finished goods and work in progress	(42)	-	-	**(42)**
Own work capitalised	(39)	-	-	**(39)**
(Profit)/loss on disposal of property, plant and equipment	(3)	2	-	**(1)**
Loss on disposal of group undertakings (Note 34)	3	-	-	**3**
	6,741	38	(1,614)	**5,165**

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

(ii) Further details regarding the net exceptional credit of £1,640m and exceptional charge of £26m can be found in Note 21 and 22 respectively.

	2018 £m	2017 £m
The above costs are stated after including:		
Amortisation of other intangible assets (Note 8)	**14**	17
Depreciation of owned assets (Note 9)	**188**	172
Impairment losses related to property, plant and equipment (Note 9)	**35**	43
Depreciation of assets held under finance leases (Note 9)	**6**	5
Net exchange rate gains	**(6)**	(21)
Operating leases:		
Plant and machinery	**22**	22
Leasehold property	**30**	34
Costs of research and development (gross)	**65**	61
Recoveries on research and development	**(28)**	(5)
Profit on release of grants relating to revenue (Note 25)	**(1)**	(2)
Profit on emissions rights sales	**(11)**	-
Impairments against trade receivables (Note 15 (ii))	**3**	2

The analysis of the Group auditors' remuneration is as follows:

	2018 £m	2017 £m
Fees payable to the Group's auditors and their associates for the audit of the Group	**1.4**	2.1
Audit-related assurance services	**0.4**	0.8
Taxation services	**0.1**	0.4
Total non-audit fees	**0.5**	1.2
Total Group auditors' remuneration	**1.9**	3.3

Fees payable in respect of the audit of the Company were £7,600 (2017: £10,900). Fees payable for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees payable in respect of audit-related assurance services of £0.4m (2017: £0.8m) primarily relate to quarterly reviews undertaken by the Group's auditors.

2. Net restructuring and impairment costs

	2018 £m	2017 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 22)	**1**	8
Pension curtailment costs (Note 21)	**-**	1
Impairment losses related to property, plant and equipment (Note 9)	**35**	43
Impairment losses related to intangible fixed assets (Note 8)	**-**	-
Other rationalisation costs	**1**	2
	37	54
Credits for restructuring and related measures:		
Redundancy and related costs (Note 22)	**-**	(3)
Other rationalisation costs	**(1)**	(1)
	(1)	(4)
Total net restructuring and impairment costs	**36**	50

The provision for redundancy and related costs of £1m in 2018 related to restructuring measures across many units within the Group.

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

3. Employees

	2018 £m	2017 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**1,046**	1,012
Social security costs	**139**	130
Other pension costs (Note 21)	**121**	121
Exceptional pension items	**(1,640)**	413
Redundancy and related costs (Note 2)	**1**	6
	(333)	1,682

(i) Exceptional pensions items includes a net pension credit of £1,649m (2017: £413m charge) in respect of changes to the BSPS (see Note 21) and a £9m charge (2017: £nil) in respect of a provision for the PPF assessment costs.

(ii) The average number of employees during the year for continuing operations was 21,100 (2017: 21,100). This total includes operations staff of 17,400 (2017: 17,400), sales and marketing staff of 1,200 (2017: 1,200) and other staff of 2,500 (2017: 2,500).

(iii) Directors' remuneration

	2018 £m	2017 £m
The total employment costs of the directors in the Group were:	**3.7**	5.5

There are no retirement benefits accruing to any directors under defined benefit schemes (2017: nil).

The emoluments of Mr T V Narendran and Mr K Chatterjee are paid by TSL which makes no recharge to TSE. Mr T V Narendran and Mr K Chatterjee are directors of TSL, TSE and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments for the aforementioned, whose emoluments are disclosed in the financial statements of TSL with whom they have their primary employment contract.

(iv) Highest paid director

	2018 £m	2017 £m
Total amount of emoluments	**1.5**	2.4

There is no accrued lump sum falling due under a defined benefit pension scheme (2017: nil).

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

	2018 £m	2017 £m
Other defined benefit scheme costs (Note 21)	**3**	50
Other defined contribution scheme costs (Note 21)	**118**	71
	121	121

(vi) The Company has no employees. No director received any remuneration during the year in respect of their services to the Company (2017: nil).

4. Financing items

	2018 £m	2017 £m
Interest expense:		
Bank and other borrowings	**111**	100
Finance leases	**4**	4
Interest on loans from immediate parent company (Note 35)	**196**	163
Interest on loans from other Group companies (Note 35)	**74**	60
Effective interest on redeemable non-cumulative preference shares issued to immediate parent company (Note 35)	**2**	2
Discount on disposal of trade receivables within purchase agreement with Group company (Note 35)	**69**	59
Finance costs	**456**	388
Interest income:		
Cash and short-term deposits and short-term investments	**(3)**	(4)
Interest receivable on deferred proceeds (Note 34)	**(3)**	-
Finance income	**(6)**	(4)
	450	384

5. Taxation

	2018 £m	2017 £m
UK current year charge	**1**	-
Overseas current year charge	**4**	5
UK prior year charge	**5**	5
Overseas prior year credit	**(5)**	(5)
Current tax charge	**5**	5
UK deferred tax	**35**	72
Overseas deferred tax	**2**	(27)
	42	50

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

	2018 £m	2017 £m
Profit/(loss) before taxation	**1,382**	(493)
Profit/(loss) multiplied by the applicable corporation tax rate of 19.17% (2017: 18.89%)	**265**	(93)
Effects of:		
Re-measurement of deferred tax balances arising from changes in tax rates	**3**	-
Utilisation of tax losses not previously recognised	**(3)**	(3)
Previously unrecognised tax losses that are expect to be used in the future	**(233)**	-
Previously unrecognised other temporary difference that are expected to be used in the future	**(76)**	-
Current year temporary differences (including losses) that we currently do not expect to use	**88**	138
Other permanent differences	**(2)**	8
	42	50

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

Re-measurement of deferred tax balances arising from changes in tax rates of £3m (2017: £nil), mainly represents the re-measurement of US deferred tax assets following the enactment on 22 December 2017 of a reduction in the US federal corporate income tax rate from 35% to 21%, effective from 1 January 2018.

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

	2018 £m	2017 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	**35**	80
Revaluation of financial instruments treated as cash flow hedges	**4**	(5)
	39	75

6. Discontinued operations

In the prior year, the Group disposed of the trade and assets of its Long Products Europe business to Greybull Capital LLP.

On 1 May 2017, the Group disposed of the trade and assets of its Speciality Steels business to Liberty House Group. On 4 July 2017, the Group subsequently disposed of the trade and assets of its Speciality Chinese Business to Liberty House Group.

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

		2018 £m	2017 £m
Revenue		**19**	355
Operating costs	(i), (ii)	**(13)**	(502)
Operating profit/(loss)		**6**	(147)
Finance costs		**-**	-
Profit/(Loss) before taxation		**6**	(147)
Taxation charge	(iv)	**-**	(1)
Profit/(Loss) after taxation		**6**	(148)
Loss recognised on the measurement to fair value less cost to sell		**-**	(22)
Profit/(Loss) from disposal of discontinued operations		**1**	(351)
Profit/(Loss) after taxation from discontinued operations		**7**	(521)

An impairment charge of £22m was incurred in 2017 when the assets and liabilities of the Speciality Steels business were transferred to held for sale (Note 18).

In the current year, a profit of £1m arose on the disposal of the Speciality Steels business, being the difference between the fair value of consideration received and the carrying amount of the net assets of the disposal group as at 1 May 2017 (Note 34).

In 2017, a loss of £351m arose on the disposal of the Long Products Europe business, being the difference between the fair value of consideration received and the carrying amount of the net assets of the disposal group as at 31 May 2016 (Note 34).

A gain of £Nil was recognised in other comprehensive income during the year (2017: £2m).

(i) Operating costs

	2018 £m	2017 £m
Costs by type:		
Raw materials and consumables	**10**	132
Maintenance costs (excluding own labour)	**2**	36
Other external charges (including fuels & utilities, hire charges and carriage costs)	**9**	79
Employment costs	**6**	111
Depreciation and amortisation	**-**	99
Other operating items (including rents, rates, insurance and general expenses)	**(11)**	52
Changes in inventory of finished goods and work in progress	**(3)**	(7)
	13	502

	2018 £m	2017 £m
The above costs are stated after including:		
Depreciation of owned assets (Note 9)	-	8
Impairment losses related to property, plant and equipment (Note 9)	-	91
Net exchange rate (gains)/losses	-	(1)
Operating leases:		
Plant and machinery	-	4
Leasehold property	-	2
Costs of research and development	-	(2)
Impairments against trade receivables (Note 15 (ii))	-	1

(ii) Net restructuring and impairment costs

	2018 £m	2017 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 22)	-	2
Impairment losses related to property, plant and equipment (Note 9)	-	91
Impairment losses related to intangible fixed assets (Note 8)	-	-
Other rationalisation costs	-	1
	-	94
Credits for restructuring and related measures:		
Redundancy and related costs (Note 22)	-	(1)
	-	93

(iii) Employees

	2018 £m	2017 £m
The total employment costs were:		
Wages and salaries	5	89
Social security costs	1	10
Other pension costs	-	11
Net redundancy and related costs	-	1
	6	111

The average number of employees during the year to the point of sale within discontinued operations was 1,681 (2017: 2,500)

(iv) The prior year tax charge of £1m relates to deferred tax.

(v) During the year discontinued operations resulted in an outflow of £11m (2017: outflow of £57m) to the Group's net operating cash flows, an outflow of £Nil (2017: £12m) in respect of investing activities and an outflow of £Nil (2017: £Nil) in respect of financing activities. These movements decrease cash and cash equivalents by £11m (2017: decrease by £69m).

7. Goodwill

As at 31 March	2018 £m	2017 £m
Net book value	**405**	405

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

The recoverable amount of the Strip Products Mainland Europe CGU has been determined from a value in use calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to 15 years, which equates to the average remaining economic life of the assets. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and a discount rate of 8.2% (2017: 7.8%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets. The pre-tax discount rate of 8.2% (2017: 7.8%) is derived from the Group's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. The outcome of the Group's goodwill impairment test as at 31 March 2018 for the Strip Products Mainland Europe CGU resulted in no impairment of goodwill (2017: £nil). The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculation would cause the carrying value of the CGU to materially exceed its value in use.

8. Other intangible assets

Group:

2018	Computer software £m	Development costs £m	Total £m
Cost as at 1 April 2017	263	32	**295**
Additions	21	-	**21**
Disposals	(1)	-	**(1)**
Exchange rate movements	-	1	**1**
Transfer to assets held for sale	-	-	**-**
Cost as at 31 March 2018	283	33	**316**
Amortisation as at 1 April 2017	183	20	**203**
Charge for the period – continuing operations	10	4	**14**
Disposals	(1)	-	**(1)**
Exchange rate movements	(2)	-	**(2)**
Transfer to assets held for sale	-	-	**-**
Amortisation as at 31 March 2018	190	24	**214**
Net book value as at 31 March 2018	93	9	**102**

Group:

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

The remaining amortisation period for computer software is approximately 8 years (2017: 7 years).

Company:

2018	Emission rights £m
Cost as at 1 April 2017	145
Disposals during the period	(14)
Cost as at 31 March 2018	131
Accumulated impairment losses as at 1 April 2017	45
Impairment losses reversed during the period	(41)
Disposals during the period	(4)
Accumulated impairment losses as at 31 March 2018	-
Net book value as at 31 March 2018	**131**
Net book value as at 31 March 2017	100

In April 2017 the Company disposed of 1.7mt of emission rights to TSUK at a price of €4.80 (£4.04) per tonne resulting in a profit on disposal of £nil.

In October 2017 the Company disposed of 0.6mt of emission rights to TSUK at a price of €7.70 (£6.76) per tonne resulting in a profit on disposal of £1.7m.

The carrying value of the emission rights was tested for impairment at 31 March 2018 resulting in a reversal of a previous impairment charge by £41m (31 March 2017: £3m impairment charge) due to an increase to the market price of the rights.

9. Property, plant and equipment

2018	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2017	724	3,572	191	515	**5,002**
Additions	3	27	41	374	**445**
Disposals	(9)	(30)	(33)	-	**(72)**
Disposal of group undertakings	(6)	(70)	(7)	(2)	**(85)**
Exchange rate movements	7	40	-	6	**53**
Transfers	10	235	-	(245)	**-**
Cost or valuation as at 31 March 2018	729	3,774	192	648	**5,343**
Depreciation as at 1 April 2017	292	2,649	145	39	**3,125**
Charge for the period – continuing operations	19	147	28	-	**194**
Impairment losses recognised during the period – continuing operations	4	16	4	8	**32**
Disposals	(5)	(31)	(33)	-	**(69)**
Disposal of group undertakings	(5)	(70)	(7)	(2)	**(84)**
Exchange rate movements	3	23	-	-	**26**
Depreciation as at 31 March 2018	308	2,734	137	45	**3,224**
Net book value as at 31 March 2018	421	1,040	55	603	**2,119**
Spares (net book value)					**123**
Net book value as at 31 March 2018					**2,242**

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

The Group recognised an impairment charge of £35m in the current year (2017: £134m) against property, plant and equipment, with £3m of this impairment charge being allocated against spares (2017: £7m). Of the impairment allocated against spares, £3m (2017: £nil) related to continuing operations and £nil (2017: £7m) related to discontinued operations.

Consistent with the annual test for impairment of goodwill as at 31 March 2018 (Note 7), property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. The outcome of this test indicated that the value in use of certain of the Group's CGUs against which property, plant and equipment is allocated, using a discount rate of 8.2% (2017: 7.8%), was lower than its carrying value. Accordingly, an impairment charge of £35m was recognised in the year (2017: £134m) against mainly downstream assets, in particular in the UK.

The Group has conducted sensitivity analysis on the impairment tests of the carrying value of the Group's CGUs against which property, plant and equipment is allocated. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations (see Note 7) would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the remaining property, plant and equipment at the Strip Products UK business which had a carrying value at 31 March 2018 of £301m. At this site the value in use is dependent on sustaining the improvement to UK steel market margins and the implementation of a business transformation plan. A reasonably possible change in any of these key assumptions would increase the likelihood of impairment losses in the future.

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

(i)

As at 31 March	2018 £m	2017 £m
The net book value of land and buildings comprises:		
Freehold	**380**	393
Long leasehold (over 50 years unexpired)	**16**	12
Short leasehold	**25**	27
	421	432
Which may be further analysed as:		
Assets held under finance leases:		
Cost	**53**	46
Accumulated depreciation	**(27)**	(24)
	26	22
Owned assets	**395**	410
	421	432

(ii)

As at 31 March	2018 £m	2017 £m
The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**164**	157
Accumulated depreciation and impairment losses	**(140)**	(134)
	24	23
Owned assets	**1,016**	900
	1,040	923

(iii)

As at 31 March	2018 £m	2017 £m
The net book value of spares comprises:		
Cost	**454**	423
Accumulated depreciation and impairment losses	**(331)**	(330)
	123	93

(iv) There was £nil (2017: £nil) of borrowing costs capitalised in the period using a capitalisation rate of nil (2017: nil).

10. Equity accounted investments

Group:

As at 31 March	Interests in joint ventures £m	Investments in associates £m	2018 Total £m	2017 Total £m
Cost				
At beginning of period	19	10	**29**	27
Disposals	(9)	-	**(9)**	-
Exchange rate movements	-	-	**-**	2
At end of period	10	10	**20**	29
Post acquisition reserves				
Share at beginning of period	4	6	**10**	7
Share of retained results in the period	2	4	**6**	3
Disposals	4	-	**4**	-
Share at end of period	10	10	**20**	10
Cost at end of period	20	20	**40**	39
Cost at beginning of period	23	16	**39**	34
Provision				
Provision at beginning of period	5	-	**5**	5
Disposals	(5)	-	**(5)**	-
Provision at end of period	-	-	**-**	5
Net book value at end of period	20	20	**40**	34
Net book value at beginning of period	18	16	34	29

(i) The Group's equity accounted investments are listed in Note 38.

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

As at 31 March	2018 £m	2017 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	**32**	32
Current assets	**32**	37
Current liabilities	**(25)**	(30)
Non-current liabilities	**(19)**	(21)
Group's share of net assets	**20**	18

Share of the revenue and expenses of the Group's joint ventures:		
Revenue	**60**	76
Expenses	**(57)**	(73)
Group's share of joint ventures' profit for the period after taxation	**3**	3
Dividends received	**(1)**	(1)
Group's share of retained results in the period	**2**	2

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

As at 31 March	2018 £m	2017 £m
Summarised balance sheet information:		
Total assets	**96**	77
Total liabilities	**(36)**	(25)
Net assets	**60**	52
Group's share of net assets	**20**	16
Summarised income statement information:		
Revenue	**313**	225
Profit for the period	**16**	10
Group's share of associate's profit for the period after taxation	**6**	3
Dividends received	**(2)**	(2)
Group's share of retained results in the period	**4**	1

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

	2018 £m	2017 £m
Group's share of joint ventures' profit for the period	**3**	3
Group's share of associates' profit for the period	**6**	3
Share of post-tax results of joint ventures and associates	**9**	6

(v) On 13 April 2016 the Group completed the sale of Corus Kalpinis Simos Cladding Industry SA, which resulted in a profit on disposal of £nil and a cash inflow of £1m.

(vi) On 10 July 2017 the Group completed the sale of Tata Elastron S.A., which resulted in a profit on disposal of £nil and a cash inflow of £nil.

(vii) On 23 June 2017, TSE transferred its 25% shareholding in Caparo Merchante Bar to Caparo Steel Products as a result of the liquidation of Caparo Steel Products. This holding had previously been impaired to nil value, therefore the profit on disposal was £nil and the cash inflow was £nil.

Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2017	3,503	2,993	**6,496**
Additions	-	893	**893**
Foreign exchange movements	-	19	**19**
Cost at 31 March 2018	3,503	3,905	**7,408**
Impairment as at 1 April 2017	3,503	2,412	**5,915**
Impairment losses recognised in the period	-	-	-
Impairment as at 31 March 2018	3,503	2,412	**5,915**
Net book value at 31 March 2018	**-**	**1,493**	**1,493**
Net book value at 31 March 2017	-	581	581

During the year ended 31 March 2018, the Company loaned £711m to Tulip UK Holdings No.3 Limited. Interest is charged at LIBOR +5% and is being rolled into the loan on a 6 monthly basis.

The Company's subsidiaries and investments are listed in Note 38 of the consolidated accounts.

The carrying values of the Company's investments are tested annually for impairment using an enterprise value calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out into perpetuity. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and a discount rate of 8.2%. Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets to year 15 and also nil for the period thereafter for the non-UK based businesses. The pre-tax discount rate of 8.2% is derived from the Group's weighted average cost of capital (WACC) and the WACCs of its main European steel competitors. The outcome of the test at 31 March 2018 resulted in no further permanent diminution (2017: permanent diminution of £1,645m) in the value of the Company's equity investment in Tulip UK Holdings No.2 Limited, and no further permanent diminution (2017: permanent diminution of £2,412) in the Company's loan investment in Tulip Holdings No.3 Limited.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's investment in Tulip UK Holdings No. 2 Limited. The directors believe that no reasonable possible change in any of the key assumptions used in the Enterprise Value calculations would cause the carrying value of the investment to exceed its Enterprise Value.

11. Other investments

	Loans and receivables £m	**Available for sale investments £m**	**2018 Total £m**	2017 Total £m
Carrying value as at 1 April 2017	10	35	**45**	51
Additions	3	9	**12**	4
Disposals	(3)	(21)	**(24)**	(10)
Carrying value as at 31 March 2018	10	23	**33**	45

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

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

	2018			2017		
	Fixed rate long-term financial assets £m	**Floating rate long-term financial assets £m**	**Total £m**	Fixed rate long-term financial assets £m	Floating rate long-term financial assets £m	Total £m
Sterling	**13**	**14**	**27**	33	6	39
Euros	**4**	**2**	**6**	4	2	6
	17	**16**	**33**	37	8	45
Disclosed as:						
Loans and receivables	**8**	**2**	**10**	8	2	10
Available for sale investments	**9**	**14**	**23**	29	6	35

	2018		2017	
	Weighted average effective fixed interest rate %	**Weighted average time for which rate is fixed Years**	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	**5.6**	**3.9**	3.0	1.3

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

As at 31 March	2018 £m	2017 £m
Within one year	**1**	19
Between two and five years	**9**	15
Greater than five years	**4**	-
No contractual maturity date	**19**	11
	33	45

(iii) Of the available for sale investments of £23m above (2017: £35m), £10m (2017: £31m) are held by TSE's subsidiary company Crucible Insurance Company Limited to fund insurance liabilities of the Group analysed as follows:

As at 31 March	2018 £m	2017 £m
UK listed investments	**3**	4
Overseas listed investments	**6**	27
Other investments	**1**	-
	10	31

12. Long term receivables

	2018 £m	2017 £m
Deferred proceeds on sale of business (Note 34)	**37**	-
	37	-

13. Deferred tax

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

	2018 £m	2017 £m
Deferred tax assets	**98**	96
Deferred tax liabilities	**(2)**	(1)
	96	95

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

2018	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2017	(14)	129	(38)	4	12	-	2	**95**
Credited/(charged) to income statement – continuing operations	38	211	(310)	(2)	(2)	33	(5)	**(37)**
Exchange rate movements	(1)	2	-	-	-	-	(2)	**(1)**
Credited to other comprehensive income	-	-	35	-	-	-	4	**39**
At 31 March 2018	**23**	**342**	**(313)**	**2**	**10**	**33**	**(1)**	**96**

2017	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2016	(12)	288	(210)	(18)	12	-	(2)	58
Credited/(charged) to income statement – continuing operations	2	(169)	93	23	-	-	6	(45)
Credited/(charged) to income statement – discontinued operations	-	-	1	-	-	-	-	1
Exchange rate movements	(4)	10	-	(1)	-	-	-	5
Credited/(charged) to other comprehensive income	-	-	80	-	-	-	(2)	78
Disposal of group company	-	-	(2)	-	-	-	-	(2)
At 31 March 2017	(14)	129	(38)	4	12	-	2	95

Deferred tax assets of £98m (2017: £96m) have been recognised at 31 March 2018. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSE Board approved budgets and forecasts. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of £3,912m (2017: £5,637m). These losses comprise UK losses of £2,779m (2017: £4,531m) and non-UK losses of £1,133m (2017: £1,106m). Included in unrecognised tax losses are losses of £602m (2017: £466m) that will expire between one and five years, losses of £208m (2017: £336m) that will expire between five and ten years and £1m (2017: £4m) that will expire between ten and twenty years. Other losses may be carried forward indefinitely.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £171m (2017: £749m), of which £77m (2017: £322m) will expire within five years and the remainder do not carry an expiry date.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £214m (2017: £260m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Finance (No. 2) Act 2017 (substantively enacted 15 November 2017), which restricts the Group's ability to deduct interest in the UK and restricts the use of losses, is reflected in the deferred tax asset position at 31 March 2018.

Company:

Movement on deferred tax assets:	2018 £m	2017 £m
At beginning of period	**8**	-
Credited to the income statement	**-**	8
	8	8

Deferred tax assets of £8m (2017: £8m), in respect of tax losses, have been recognised at 31 March 2018. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSE Board approved budgets and forecasts. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets.

Deferred tax assets have not been recognised in respect of total UK tax losses of £nil (2017: £14m) that may be carried forward indefinitely.

There is no material reversal of the deferred tax asset expected in the next 12 months.

14. Inventories

As at 31 March	2018 £m	2017 £m
Raw materials and consumables	**477**	488
Work in progress	**544**	536
Finished goods and goods for resale	**471**	429
	1,492	1,453

The value of inventories above is stated after impairment of £43m (2017: £48m) for obsolescence and write-downs to net realisable value.

15. Trade and other receivables

Group:

As at 31 March	2018 £m	2017 £m
Trade receivables	**618**	694
Less provision for impairment of receivables	**(6)**	(6)
	612	688
Amounts owed by other Group companies (Note 35)	**6**	12
Amounts owed by joint ventures (Note 35)	**4**	1
Amounts owed by associates (Note 35)	**8**	6
Derivative financial instruments (Note 24)	**9**	11
Other taxation	**49**	29
External interest receivable	**1**	4
Prepayments	**36**	31
Deferred proceeds on sale of business (Note 34)	**15**	5
Other receivables	**78**	74
	818	861

(i) Trade receivables are further analysed as follows:

As at 31 March 2018	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	**552**	**(523)**	**(1)**	**28**
One month overdue	**34**	**(26)**	**-**	**8**
Two months overdue	**6**	**(5)**	**-**	**1**
Three months overdue	**8**	**(7)**	**-**	**1**
Greater than three months overdue	**18**	**(6)**	**(5)**	**7**
	618	**(567)**	**(6)**	**45**

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

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2018 to be £45m (2017: £54m), which is the fair value of trade receivables (after impairment provisions) less those that are subject to credit insurance cover as shown in the table above. The other classes of financial assets within trade and other receivables do not contain impaired assets. There is no concentration of credit risk with any particular customers.

Credit risk management is discussed further in Note 24.

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

As at 31 March	2018 £m	2017 £m
At beginning of period	**6**	14
Impairments in the period – continuing operations (Note 1)	**3**	2
Impairments in the period – discontinued operations (Note 6)	**-**	1
Amounts utilised, exchange rate and other movements	**(3)**	(7)
Disposal of group company	**-**	(4)
At end of period	**6**	6

Company:

As at 31 March	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	**169**	160
Interest owed by subsidiary undertakings	**34**	30
Other taxation	**-**	2
	203	192

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

16. Current tax

	Assets £m	Liabilities £m
2018		
UK corporation tax	**1**	**11**
Overseas taxation	**6**	**4**
	7	**15**
2017		
UK corporation tax	-	5
Overseas taxation	3	4
	3	9

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

As at 31 March	2018 £m	2017 £m
Cash at bank and in hand	**94**	234
Short-term deposits	**5**	5
Cash and short-term deposits	**99**	239
Short-term investments	**-**	5
	99	244

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

As at 31 March	2018				2017			
	Cash	Short-term deposits	Short-term investments	Total	Cash	Short-term deposits	Short-term investments	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Sterling	30	5	-	35	68	5	-	73
Euros	37	-	-	37	62	-	-	62
US Dollars	9	-	-	9	82	-	-	82
Other	18	-	-	18	22	-	5	27
	94	5	-	99	234	5	5	244
Floating interest rate	94	5	-	99	234	5	2	241
Fixed interest rate	-	-	-	-	-	-	3	3

Short-term deposits are highly liquid investments with original maturities of three months or less and short-term investments are deposits for periods not exceeding one year. The weighted average interest rate across both these types of investment was 0.6% (2017: 2.6%). During each of the periods above cash earned interest based on LIBOR or other official local rates.

18. Assets held for sale

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

	2018	2017
	£m	£m
Equity accounted investments	-	-
Property, plant and equipment	-	-
Inventories	-	96
Trade and other receivables	-	36
Write down to fair value less costs to sell (Note 6)	-	(22)
Total assets classified as held for sale	-	110
Trade and other payables	-	33
Borrowings	-	1
Provisions and other liabilities	-	1
Retirement benefit obligations	-	1
Total liabilities classified as held for sale	-	36

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

19. Borrowings

Group:

As at 31 March	2018 £m	2017 £m
Current:		
Inter-group:		
Amounts owed to other Group companies (Note 35)	**279**	304
	279	304
External:		
Bank overdrafts	**7**	2
Floating rate guaranteed Loan Notes	**1**	1
Revolving credit facility	**600**	598
Obligations under finance leases	**12**	12
Other loans	**17**	-
	637	613
	916	917

As at 31 March	2018 £m	2017 £m
Non-current:		
Inter-group:		
Amounts owed to immediate parent company (Note 35)	**4,060**	3,140
Amounts owed to Group companies (Note 35)	**131**	129
Redeemable non-cumulative preference shares (Note 35)	**44**	41
	4,235	3,310
External:		
Bank loans	**1,908**	1,907
Obligations under finance leases	**55**	54
Capitalisation of transaction costs	**(44)**	(55)
	1,919	1,906
	6,154	5,216

Total borrowings	**7,070**	6,133

Interest payable on the above borrowings is included within trade and other payables (Note 20).

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

As at 31 March	2018			2017		
	Fixed rate borrowings £m	**Floating rate borrowings £m**	**Total £m**	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	**66**	**3,694**	**3,760**	63	2,942	3,005
Euros	**62**	**3,019**	**3,081**	44	2,829	2,873
US Dollars	**-**	**270**	**270**	-	304	304
Other	**-**	**3**	**3**	-	6	6
Capitalisation of transaction costs	**-**	**(44)**	**(44)**	-	(55)	(55)
	128	**6,942**	**7,070**	107	6,026	6,133

	2018		2017	
	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed
	%	Years	%	Years
Sterling	**7.1**	**3.8**	7.2	4.8
Euros	**5.3**	**5.5**	5.5	8.3

The majority of floating rate borrowings are bank borrowings bearing interest rates based on EURIBOR or official local rates. Of the total floating rate borrowings of £6,942m, £984m (2017: £1,219m) has been converted into fixed rates with interest rate swaps, with contracts covering a period less than 1 year. Interest rate risk management is discussed further in Note 24.

The weighted average interest rate on current borrowings was 3.94% (2017: 4.48%) and on non-current borrowings was 4.95% (2017: 4.33%).

(ii) The maturity of borrowings is as follows:

As at 31 March	2018 £m	2017 £m
In one year or less or on demand	**920**	920
Between one and two years	**540**	18
Between two and three years	**801**	526
Between three and four years	**4,660**	802
Between four and five years	**6**	3,741
More than five years	**221**	219
	7,148	6,226
Less: future finance charges on finance leases	**(15)**	(16)
Less: capitalisation of transaction costs	**(44)**	(55)
Less: future finance charges on preference shares	**(19)**	(22)
	7,070	6,133
Analysed as:		
Current liabilities	**916**	917
Non-current liabilities	**6,154**	5,216

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018 £m	2017 £m	2018 £m	2017 £m
Not later than one year	**15**	15	**12**	12
Later than one year but not more than five years	**40**	40	**31**	31
More than five years	**27**	27	**24**	23
	82	82	**67**	66
Less: future finance charges on finance leases	**(15)**	(16)	**-**	-
Present value of lease obligations	**67**	66	**67**	66

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

As at 31 March	2018 £m	2017 £m
More than two years	**100**	100

The Group's senior facility limits the amount of other uncommitted, unsecured credit facilities to £430m (2017: £430m) with a sub-limit of £55m (2017: £55m) for overdrafts, bill discounting, financial guarantees and other debt classed as such on the balance sheet.

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

- a bullet term loan facility of €370m for five years;
- an amortising term loan facility of €1,500m for seven years (amortisation starts from the end of year five);
- an amortising term loan facility of US$379.5m for seven years (amortisation starts from the end of year five); and
- a revolving credit facility of £700m for six years (this facility may be extended by a further year if certain conditions are satisfied).

The SFA term loans are denominated in euros and US dollars. However, 100% of the proceeds received in US dollars have been hedged into euros. The refinancing of the SFA was accompanied by a €800m subordinated loan injection into TSE from TSGH. The balance on the term loan tranches in the currency of their denomination remains unchanged from the prior year. In addition, £600m (31 March 2017: £598m) of the revolving credit facility was drawn down at 31 March 2018.

Company:

As at 31 March	2018 £m	2017 £m
Current:		
Inter-group:		
Amounts owed to other Group companies	**279**	304
	279	304

As at 31 March	2018 £m	2017 £m
Non-current:		
Inter-group:		
Redeemable non-cumulative preference shares	**44**	41
Amounts owed to immediate parent company	**3,290**	2,410
	3,334	2,451

Redeemable non-cumulative preference shares of £63m were issued in 2012 at an issue price of £1 per share. The shares have a 20 year term and can be redeemed at any point between 1 July 2022 and 30 June 2032. The shares attract a non-cumulative 3.5% dividend, payable each year if there are sufficient distributable reserves available. The shares have been recognised at £44m at 31 March 2018 (2017: £41m), consisting of an initial fair value of £31m and accrued effective interest of £13m.

As at 31 March 2018, the total amount outstanding with TSGH, including principal and rolled interest, is £3,290m (2017: £2,410m). Interest is charged at LIBOR +5% and is rolled into the loan on a 6 monthly basis. The loan balance is due for repayment in December 2021.

20. Trade and other payables

Group:

As at 31 March	2018 £m	2017 £m
Trade payables	810	811
Amounts owed to ultimate Parent company (Note 35)	1	1
Amounts owed to other Group companies (Note 35)	970	986
Amounts owed to joint ventures (Note 35)	-	1
Amounts owed to associates (Note 35)	2	3
Other taxation and social security	63	54
Interest payable to immediate parent company (Note 35)	34	30
Interest payable to other Group companies (Note 35)	9	9
Interest payable	2	-
Capital expenditure creditors	144	88
Derivative financial instruments (Note 24)	38	27
Advances from customers	8	10
Other payables	342	362
	2,423	2,382

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

Company:

As at 31 March	2018 £m	2017 £m
Trade creditors	28	19
Other taxation and social security	19	-
Interest payable to immediate parent company	29	25
Interest payable to other Group companies	5	5
Amounts owed to subsidiary undertakings	64	52
	145	101

21. Pensions and post-retirement benefits

Defined contribution schemes

The Group participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Group at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2018 amounted to £118m (2017: £71m). Of the total cost of £118m, £70m (2017: £63m) related to payments to the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme which is the main scheme for historic and present employees in the Netherlands.

Defined benefit schemes

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

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

The principal defined benefit pension scheme of the Group at 31 March 2018 was the new BSPS, which is the main scheme for historic and present employees based in the UK.

BSPS

The BSPS was closed to future accrual on 31 March 2017. The IAS 19 impact of the closure of the scheme crystallised in 2017 a curtailment charge of £413m to the income statement with an increase to the scheme's liabilities for the same amount.

On 11 September 2017, the UK Pensions Regulator approved a RAA in respect of the BSPS. The effect of the RAA was to legally separate the BSPS from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550m was made from TSUK to the BSPS and shares in TSUK, equivalent to a 33% non-controlling interest in the Company have been issued to the BSPS Trustee under the terms of a shareholder agreement. TSUK is also obligated to meet costs of £19m in connection with the RAA and estimated costs of £9m for the Pension Protection Fund ('PPF') assessment.

TSUK agreed to sponsor a new pension scheme subject to certain qualifying conditions around size and funding being met. The new scheme has lower future annual increases for pensioners and deferred members than the BSPS, giving it an improved funding position, which poses significantly less risk for TSUK. All BSPS members were given the choice to switch to the new scheme or remain in the existing scheme which will transfer to the PPF. The outcome of this exercise confirmed that 69% of the existing BSPS membership had opted to transfer to the new scheme and 31% to the PPF. It was confirmed on 27 March 2018 that the qualifying conditions had been satisfied in full and accordingly electing members transferred to the new scheme (to be known as the British Steel Pension Scheme) on 28 March 2018. The assets were split on 28 March 2018 with 86% of the existing scheme's assets for members transferring to the new BSPS and 14% for members transferring to the PPF. As a result of this asset split the shares in TSUK which were issued to the BSPS as part of the RAA were also split. Accordingly of the total 3,333 Ordinary A shares in TSUK issued which represent the 33% non-controlling interest, 2770 remain with BSPS and 563 are held by Open Trustee Limited on behalf of the members transferring to the PPF. No value has been included in the pension scheme's assets at 31 March 2018 for the new scheme's non-controlling interest in TSUK as the estimated equity value of TSUK is zero.

At 31 March 2018 the new scheme had an IAS 19 surplus of £2,229m. In accordance with IFRIC 14 the company has recognised 100% of the surplus as it has an unconditional right to a refund of the surplus. The income statement in 2018 includes a past service credit of £1,828m in respect of the members who chose to transfer to the new scheme due to the less valuable benefit structure in the new scheme compared to the old scheme, a settlement charge of £158m for those members who opted to join the PPF and costs of £21m in respect of legal, advisory and communication expenditure for the RAA process and the formation of the new scheme. In addition, the company has provisional costs of £9m for the PPF assessment of member benefits who have opted to transfer to the PPF. The net credit of £1,640m (2017: net charge of £413m) has been recognised in the financial statements as an exceptional item (see Note 1).

It is anticipated that the transferred assets of the new BSPS are expected to be sufficient to pay the benefits to which switching members are entitled and will include a surplus that is likely to be sufficient to cover residual risks. These risks include economic risks (such as interest rate risk and inflation risk), demographic risks (for example that members will live longer than expected), and legal risks (that changes in legislation may increase liabilities). The Trustee will manage risk relative to the cash flow profile of the Scheme's liabilities with the aim that the Scheme should be able to pay members' benefits without needing contributions from TSUK. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to reduce interest rate risk, and investment in assets that are expected to be correlated to future inflation in the longer term to mitigate inflation risk. In particular, the Scheme's investment policy has regard for the maturity and nature of the Scheme's liabilities and seeks to match a large part of the Scheme's liabilities with secure bonds, whilst achieving a higher long term return on a small proportion of equity and other investments. However, the Scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.

The weighted average duration of the scheme's liabilities at 31 March 2018 was 15 years (2017: 16 years).

Actuarial assumptions

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

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

2018	BSPS %	Other %
Salary growth[1]	n/a	1.00 to 2.00
Pension increases[2]	2.10	1.75
Discount rate	2.60	1.37 to 4.10
Inflation	3.10	1.00 to 3.00

1 The BSPS is closed to future accrual.
2 Where applicable a CPI assumption of 2.10% has been applied within the BSPS.

2017	BSPS %	Other %
Salary growth [3]	1.50	1.00 to 2.00
Pension increases[4]	3.10	1.75 to 2.00
Discount rate	2.40	0.50 to 4.10
Inflation	3.10	1.00 to 3.00

3 The BSPS assumption applied to capped Pensionable Earnings.
4 Where applicable a CPI assumption of 2.10% was applied within the BSPS.

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

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans. For the BSPS the liability calculations as at 31 March 2018 use the Self-Administered Pension Schemes 2 (SAPS 2) base tables, S2NMA/S2DFA with the 2015 CMI projections with a 1.50% pa long-term trend applied from 2007 to 2016 (adjusted by a multiplier of 1.15 for males and 1.21 for females). In addition, future mortality improvements are allowed for in line with the 2016 CMI Projections with a long-term improvement trend of 1% per annum. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years of age and a male member reaching age 65 in 15 years time is then expected to live on average to 87 years of age.

Sensitivities

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

Assumption	Change in assumption	Impact on scheme liabilities Impact on BSPS scheme liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.4%
Inflation	Increase/decrease by 10bps	Increase/decrease by 1.0%
Mortality	1 year increase in life expectancy	Increase/decrease by 5.0%

Sensitivities for the BSPS have been provided as it is a material scheme.

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

Income statement costs

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

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

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

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

Income statement pension costs arose as follows:

2018	**BSPS** £m	**SPH** £m	**Other** £m	**Total** £m
Current service cost	11	-	4	**15**
Costs in respect of the RAA	19	-	-	**19**
Cost for setting up the new BSPS scheme	2	-	-	**2**
Net interest (income)/cost	(12)	-	2	**(10)**
Past service credit	(1,828)	-	(2)	**(1,830)**
Settlement costs	158	-	-	**158**
Defined benefit schemes	(1,650)	-	4	**(1,646)**
Defined contribution schemes	42	70	6	**118**
Total charge for the period	(1,608)	70	10	**(1,528)**

2017	BSPS £m	SPH £m	Other £m	Total £m
Current service cost	92	-	4	96
Net interest (income)/cost	(38)	-	3	(35)
Curtailments	102	-	-	102
Past service costs (Note 3)	413	-	-	413
Defined benefit schemes	569	-	7	576
Defined contribution schemes	4	63	4	71
Total credit for the period	573	63	11	647

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

	2018 £m	2017 £m
Continuing operations - exceptional pension items (Note 3)	**(1,649)**	413
Continuing operations - other pension costs (Note 3)	**121**	121
Discontinued operations - other pension costs (Note 6)	**-**	11
Pension curtailment costs (Note 2)	**-**	1
Curtailment strain on disposal of Group company	**-**	101
Total (credit)/charge for the period	**(1,528)**	647

Plan assets

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

2018	**BSPS** %	**Other** %
Quoted:		
Equities – UK Entities	0.7	-
Equities – Non-UK Entities	7.3	49.0
Bonds – Fixed Rate	45.7	27.6
Bonds – Index Linked	32.0	-
Derivatives	0.2	-
Other	-	4.6
	85.9	**81.2**
Unquoted:		
Real estate	11.5	7.1
Derivatives	(0.7)	-
Cash and cash equivalents	0.9	11.7
Other	2.4	-
	14.1	**18.8**
Total	**100.0**	**100.0**

2017	BSPS %	Other %
Quoted:		
Equities – UK Entities	0.8	-
Equities – Non-UK Entities	8.5	48.2
Bonds – Fixed Rate	39.8	27.7
Bonds – Index Linked	42.5	-
Derivatives	0.2	3.9
Other	-	0.8
	91.8	80.6
Unquoted:		
Real estate	8.5	7.6
Derivatives	(0.6)	-
Cash and cash equivalents	-	11.8
Other	0.3	-
	8.2	19.4
Total	100.0	100.0

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:

2018	**BSPS £m**	**Other £m**	**Total £m**
Fair value of plan assets	11,205	92	**11,297**
Present value of obligation	(8,976)	(218)	**(9,194)**
Defined benefit asset/(liability) at end of period	2,229	(126)	**2,103**
Disclosed as:			
Defined benefit asset	2,229	-	**2,229**
Defined benefit liability – current	-	(3)	**(3)**
Defined benefit liability – non-current	-	(123)	**(123)**
Arising from:			
Funded schemes	2,229	(44)	**2,185**
Unfunded schemes	-	(82)	**(82)**

2017	BSPS £m	Other £m	Total £m
Fair value of plan assets	15,032	108	15,140
Present value of obligation	(14,816)	(242)	(15,058)
Defined benefit asset/(liability) at end of period	216	(134)	82
Disclosed as:			
Defined benefit asset	216	-	216
Defined benefit liability – current	-	(3)	(3)
Defined benefit liability – non-current	-	(131)	(131)
Arising from:			
Funded schemes	216	(42)	174
Unfunded schemes	-	(92)	(92)

The movements in the present value of plan assets and defined benefit obligations in 2018 and 2017 were as follows:

2018	**BSPS** £m	**Other** £m	**Total** £m
Plan assets:			
As at 1 April 2017	15,032	108	**15,140**
Interest income on plan assets	358	3	**361**
Return on plan assets (less than)/greater than the discount rate	(207)	5	**(202)**
Contributions from the employer	569	3	**572**
Benefits paid	(2,730)	(11)	**(2,741)**
Exchange rate movements	-	(12)	**(12)**
Settlements	(1,817)	-	**(1,817)**
Curtailments	-	(4)	**(4)**
As at 31 March 2018	11,205	92	**11,297**
Defined benefit obligations:			
As at 1 April 2017	14,816	242	**15,058**
Current service cost	11	4	**15**
Costs in respect of RAA	19	-	**19**
Costs of setting up new BSPS scheme	2	-	**2**
Interest cost on the defined benefit obligation	346	5	**351**
Past service cost - plan amendments	(1,828)	(2)	**(1,830)**
Actuarial loss due to actuarial experience	472	2	**474**
Actuarial gain due to financial assumption changes	(473)	(1)	**(474)**
Benefits paid	(2,730)	(14)	**(2,744)**
Exchange rate movements	-	(14)	**(14)**
Settlements	(1,659)	-	**(1,659)**
Curtailments	-	(4)	**(4)**
As at 31 March 2018	8,976	218	**9,194**

Included within other schemes above are post-retirement medical and similar net obligations of £6m (2017: £7m).

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

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

Actuarial losses recorded in the statement of comprehensive income for the period were £202m (2017: losses of £467m).

22. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Employee benefits (iii) £m	Other (iv), (v) £m	**Total 2018 £m**	Total 2017 £m
At beginning of period	37	109	70	76	**292**	375
Charged to income statement						
Continuing operations	3	4	-	45	**52**	62
Discontinued operations	-	-	-	-	**-**	15
Released to income statement						
Continuing operations	(1)	(14)	(13)	-	**(28)**	(54)
Discontinued operations	-	-	-	(10)	**(10)**	(1)
Utilised in period						
Continuing operations	(7)	(6)	-	(2)	**(15)**	(70)
Discontinued operations	-	-	-	(2)	**(2)**	-
Disposal of Group undertakings	-	-	-	-	**-**	(40)
Transferred to assets held for sale	-	-	-	-	**-**	(1)
Exchange rate movements	-	-	1	-	**1**	6
At end of period	**32**	**93**	**58**	**107**	**290**	292
Analysed as:						
Current liabilities	6	-	2	43	**51**	35
Non-current liabilities	26	93	56	64	**239**	257

(i) Rationalisation costs include redundancy provisions as follows:

	2018 £m	2017 £m
At beginning of period	3	54
Charged to income statement		
Continuing operations	1	8
Discontinued operations	-	2
Released to income statement		
Continuing operations	-	(3)
Discontinued operations	-	(1)
Utilised during the period	(3)	(55)
Disposal of Group undertakings	-	(2)
At end of period	1	3

	2018 £m	2017 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	20	23
Environmental and other remediation costs at sites subject to restructuring/closure	9	9
Other	2	2
	31	34

Although the precise timing in respect of utilising the redundancy provisions is not known, the majority is expected to be incurred within one year. At 31 March 2018 the rationalisation provision included £20m (2017: £23m) in respect of onerous leases on a discounted basis. This provision would have amounted to £21m (2017: £24m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 16 years.

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

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

(iv) Other provisions include environmental provisions of £29m (2017: £25m), early retirement provisions of £22m (2017: £21m) and product warranty claims of £7m (2017: £8m). The timing in respect of utilising these provisions is uncertain.

(v) During the year a charge of £26m was included in Other provisions in respect of potential customer claims. This charge is disclosed as an exceptional item within the income statement (see Note 1).

23. Other non-current liabilities

As at 31 March	2018 £m	2017 £m
Other creditors	14	20
	14	20

As at 31 March	2018 £m	2017 £m
An analysis of other creditors by currency is set out below:		
Sterling	12	18
Euros	2	2
	14	20

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

24. Financial instruments and risk management

(i) Capital risk management
The Group manages its capital with the aim of ensuring that the entities in the Group are able to continue as a going concern. Further details are included in the basis of preparation on page 29. The Group's overall category risk strategy remains unchanged from 2017. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 19, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Net debt has increased in the year to £(6,970) at 31 March 2018 from £(5,893) at 31 March 2017 (note 32), primarily due to an increase in loans from the parent company.

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

As at 31 March	2018 £m	2017 £m
Financial assets:		
Loans and receivables:		
Other investments (Note 11)	10	10
Trade receivables (Note 15)	612	688
Other receivables [1] (Note 15)	112	102
Other short-term investments (Note 17)	-	5
Cash and short-term deposits (Note 17)	99	239
	833	1,044
Financial liabilities:		
Financial liabilities held at amortised cost:		
Trade and other payables [2] (Note 20)	(2,314)	(2,291)
Current borrowings (Note 19)	(916)	(917)
Non-current borrowings (Note 19)	(6,154)	(5,216)
Other non-current liabilities (Note 23)	(14)	(20)
	(9,398)	(8,444)
	(8,565)	(7,400)

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values with the exception of current and non-current borrowings. The fair values of these are £900m (2017: £898m) and £5,924m (2017: £5,001m) respectively. The fair value of borrowings would be classified as Level 3 within the fair value hierarchy. The fair value is based on discounted cash flows and reflects the credit risk of counterparties.

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

	2018			
As at 31 March	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value:				
Derivative financial assets (Note 15)	-	9	-	9
Available for sale financial assets (Note 11)	10	-	13	23
	10	9	13	32
Financial liabilities at fair value:				
Derivative financial liabilities (Note 20)	-	(38)	-	(38)
	-	(38)	-	(38)

As at 31 March	2017 Level 1 £m	 Level 2 £m	 Level 3 £m	 Total £m
Financial assets at fair value:				
Derivative financial assets (Note 15)	-	11	-	11
Available for sale financial assets (Note 11)	35	-	-	35
	35	11	-	46
Financial liabilities at fair value:				
Derivative financial liabilities (Note 20)	-	(27)	-	(27)
	-	(27)	-	(27)

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

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

(a) Market risk: foreign exchange risk and management
At 31 March 2018, the Group had £7,070m (2017: £6,133m) in borrowings, of which £3,037m (2017: £2,818m) net of capitalised transaction costs of £44m (2017: £55m) is denominated in euros, £3,760m (2017: £3,005m) is denominated in sterling, £270m (2017: £304m) is denominated in US dollars, and £3m (2017: £6m) is denominated in other currencies. As described in Note 19, the majority of the Group's borrowings relate to the SFA and is held by the euro-denominated subsidiary company Tata Steel Netherlands Holdings BV ('TSNH'). As at 31 March 2018, in order to reduce the Group's exposure to foreign exchange risk, all of the US dollar borrowings have been covered by a euro short-term forward rate agreement.

It is the Group's policy that substantially all of the net currency transaction exposure arising from contracted sales and purchases over an approximate 6 month time horizon is covered by selling or purchasing foreign currency forwards. At 31 March 2018, the Group held forward currency sales of principally Euros and US dollars amounting to £270m (2017: £851m) and purchases of principally Euros and US dollars amounting to £1,406m (2017: £1,854m).

A 10% appreciation of sterling at 31 March 2018 would increase the Group's net assets by approximately £296m (2017: £309m), increase equity by approximately £296m (2017: £309m) and decrease operating profit by approximately £nil (2017: £nil). This sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in net debt and finance lease obligations which do not present a material exposure.

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

At 31 March 2018, a 10% appreciation of market prices would decrease the Group's equity by approximately £8m (2017: £7m). There was no significant market risk relating to the income statement since the majority of commodity derivatives are treated as cash flow hedges with movements being reflected in equity and the timing and recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

(c) Market risk: interest risk and management
The objective of the Group's interest risk management is to reduce its exposure to the impact of changes in interest rates in the currencies in which debt is borrowed. It is a requirement of the SFA that a minimum of 50% of the debt be converted into fixed rates of interest. At 31 March 2018, of the total SFA borrowings of £1,905m, 52% was subject to interest rate swaps, which swaps floating rates based on EURIBOR to a fixed rate of 0%.

Based on the composition of net debt at 31 March 2018, a 100 basis points increase in interest rates over the 12 month period would increase the Group's net finance expense by approximately £72m (2017: £59m), and increase equity by approximately £7m (2017: £2m).

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

Individual operating units are responsible for controlling their own credit risk arising from the Group's normal commercial operations, although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposure to key customers and those where known risks have arisen or still persist. Any impairment to the recoverability of debtors is reflected in the income statement.

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

(e) Liquidity risk
The management of liquidity risk is co-ordinated and controlled centrally by the Group's treasury operations. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 19, the total undrawn committed borrowing facilities at 31 March 2018 is £100m (2017: £102m).

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

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Group's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the end of the reporting period. Cash flows in foreign currencies are translated using the period end spot rates at 31 March 2018.

As at 31 March		**2018**		
	Contractual cashflows	**Less than 1 year**	**Between 1 – 5 years**	**More than 5 years**
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	(2,314)	(2,314)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Finance lease obligations	(82)	(16)	(39)	(27)
Bank and other loans	(8,192)	(965)	(7,028)	(199)
Other creditors	(14)	-	(14)	-
	(10,603)	(3,296)	(7,081)	(226)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(1,704)	(1,704)	-	-
Receivables	1,680	1,680	-	-
Interest rate swaps	-	-	-	-
Commodity contracts	2	2	-	-
Forward rate agreement				
Payables	(273)	(273)	-	-
Receivables	266	266	-	-
	(29)	(29)	-	-
Total financial liabilities	(10,632)	(3,325)	(7,081)	(226)

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

As at 31 March	2017			
	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	(2,291)	(2,291)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Finance lease obligations	(82)	(15)	(40)	(27)
Bank and other loans	(7,314)	(989)	(6,118)	(207)
Other creditors	(20)	-	(20)	-
	(9,708)	(3,296)	(6,178)	(234)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(2,717)	(2,717)	-	-
Receivables	2,708	2,708	-	-
Interest rate swaps	(2)	(2)	-	-
Commodity contracts	(1)	(1)	-	-
Forward rate agreement				
Payables	(305)	(305)	-	-
Receivables	301	301	-	-
	(16)	(16)	-	-
Total financial liabilities	(9,724)	(3,312)	(6,178)	(234)

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

(v) Derivative financial instruments

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

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Non-current:				
Interest rate swaps	-	-	-	-
	-	-	-	-
Current:				
Interest rate swaps	-	-	-	(2)
Foreign currency contracts	5	(36)	11	(20)
Commodity contracts	4	(2)	-	(1)
Forward rate agreements	-	-	-	(4)
	9	(38)	11	(27)
	9	(38)	11	(27)

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

	Foreign currency contracts £m	Commodity contracts £m	Interest rate swap £m	Taxation £m	2018 £m
Cash flow hedge reserve net of taxation at beginning of period	**14**	**-**	**(2)**	**(3)**	**9**
Fair value recognised	**(19)**	**4**	**2**	**4**	**(9)**
Non-controlling interest movement	**(3)**	**-**	**-**	**-**	**(3)**
Cash flow hedge reserve net of taxation at end of period	**(8)**	**4**	**-**	**1**	**(3)**

	Foreign currency contracts £m	Commodity contracts £m	Interest rate swap £m	Taxation £m	2017 £m
Cash flow hedge reserve net of taxation at beginning of period	(3)	4	(5)	2	(2)
Fair value recognised	17	(4)	3	(5)	11
Cash flow hedge reserve net of taxation at end of period	14	-	(2)	(3)	9

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

	2018 £m	2017 £m
Foreign currency contracts	**1,678**	2,716
Commodity futures and options	**106**	98
Interest rate swaps	**984**	1,219
Forward rate agreements	**270**	304

Ineffectiveness on cash flow hedges recognised in the income statement was £nil in 2018 (2017: £nil).

25. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2018 £m	2017 £m
At 1 April 2017	2	12	**14**	15
New contributions received	-	-	**-**	1
Exchange rate movements	-	(1)	**(1)**	2
Released to income statement	(1)	(2)	**(3)**	(4)
At 31 March 2018	1	9	**10**	14

26. Share capital

Group and Company:

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

Authorised	2018 £m	2017 £m
5,000,000,000 ordinary shares of £1 each	**5,000**	5,000

Allotted, called up and fully paid	2018 £m	2017 £m
4,138,894,347 ordinary shares of £1 each	**4,139**	4,139

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

Company reconciliation of share capital and equity:

	Ordinary share capital £m	Profit and loss reserves £m	Total £m
At 1 April 2017	4,139	(6,112)	**(1,973)**
Profit for the year	-	51	**51**
At 31 March 2018	**4,139**	**(6,061)**	**(1,922)**

	Ordinary share capital £m	Profit and loss reserves £m	Total £m
At 1 April 2016	4,000	(1,934)	2,066
Loss retained	-	(4,178)	(4,178)
Allotted and issued share capital	139	-	139
At 31 March 2017	4,139	(6,112)	(1,973)

27. Non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

During the year, as part of the RAA a 1/3 non-controlling interest in TSUK was issued to the BSPS Trustee. At the date of issue on 11th September 2017 the net liability position of TSUK was £2,255m and resulted in a non-controlling interest of £752m being created. Further information about the RAA is given in note 21.

TSUK:

(i) Income statement summary

	2018 £m
Revenue	**2,403**
Operating costs	**(805)**
Operating profit	**1,598**
Finance income	**29**
Finance costs	**(203)**
Income tax expense	**(42)**
Profit from disposal of discontinued operations	**2**
Profit for the year	**1,384**
Profit attributable to owners of the Company	**879**
Profit attributable to non-controlling interests	**505**

(ii) Statement of comprehensive income summary

	2018 £m
Total comprehensive income for the year	**1,214**
Total comprehensive income attributable to owners of the Company	**492**
Total comprehensive income attributable to non-controlling interests	**722**

(iii) Balance sheet summary

	2018 £m
Non-current assets	3,547
Current assets	781
Current liabilities	(2,416)
Non-current liabilities	(2,000)
Net liabilities	(88)
Equity attributable to owners of the Company	(58)
Non-controlling interests	(30)

(v) Statement of cash flows summary

	2018 £m
Net cash outflow from operating activities	(556)
Net cash outflow from investing activities	(140)
Net cash inflow from financing activities	665
Net cash outflow	(31)

Further information about non-controlling interests is given in note 10.

28. Future capital expenditure

	2018 £m	2017 £m
Contracted but not provided for	252	197
Authorised but contracts not yet placed	302	222

At the end of the period there was £15m (2017: £33m) of future expenditure planned in relation to intangible assets.

29. Operating leases

	2018 £m	2017 £m
Future minimum lease payments for the Group at the end of the period are:		
Not later than one year	64	69
Later than one year and not later than five	115	181
More than five years	37	42
	216	292

Of the total operating lease payments, £81m (2017: £143m) relates to the time charter hire of 4 (2017: 5) vessels by the Group's central supplies and transport function. The lease period for these assets ranges from 2 to 5 years.

This includes the time charter hire of one vessel that has been novated to Proco as part of its provision of a full freight service to TSE (see note 35) on the basis that the menu pricing mechanism is designed to recover all costs incurred by Proco in the provision of that service to TSE, and TSE therefore effectively retains the liabilities under the lease contracts.

TSE has entered into an arrangement that includes the sub-letting of 2 (2017: 2) of the time charter hire vessels, representing £39m (2017: £55m) of the total operating lease payments above. The total of future minimum sublease payments expected to be received under these sub-leases is £39m (2017: £55m) as shown below:

	2018 £m	2017 £m
Future minimum sub-lease receipts for the Group at the end of the period are:		
Not later than one year	**13**	15
Later than one year and not later than five	**26**	40
More than five years	**-**	-
	39	55

One vessel has been sublet to T S Global Procurement Co. Pte Limited ('Proco') but excluded from the sublet analysis above on the basis the cost is retained by the company under the freight services agreement with Proco.

30. Contingencies

	2018 £m	2017 £m
Guarantees given under trade agreements	**17**	22
Others	**57**	55

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

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

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

31. Reconciliation of cash generated from total operations

	2018 £m	2017 £m
Profit/(loss) after taxation	**1,347**	(1,064)
Adjustments for:		
Taxation	**42**	51
Depreciation and amortisation including impairment items (net of grants released)	**241**	336
Loss on disposal of property, plant and equipment and Group companies	**2**	349
Loss recognised on measurement to fair value less costs to sell	**-**	22
Finance income	**(6)**	(4)
Finance expense	**456**	388
Share of post tax results of joint ventures and associates	**(9)**	(6)
Movement in pensions and post-retirement benefits	**(1,671)**	410
Movement in provisions for impairments of trade receivables	**-**	(4)
Movement in insurance and other provisions	**1**	18
Movement in spares	**(31)**	1
Movement in inventories	**(25)**	(459)
Movement in receivables	**30**	(27)
Movement in payables	**(43)**	528
Net rationalisation costs provided	**2**	8
Utilisation of rationalisation provisions	**(8)**	(62)
Net cash flow generated from operations	**328**	485

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

	2018 £m	2017 £m
Movement in cash and cash equivalents	**(148)**	(67)
Movement in short-term investments	**(3)**	3
Movement in total debt excluding bank overdrafts	**(679)**	(17)
Change in net debt resulting from cash flows in period	**(830)**	(81)
Exchange rate movements	**(27)**	(224)
Fair value of forward rate agreements	**4**	7
Other non cash changes	**(225)**	(163)
Movement in net debt in period	**(1,078)**	(461)
Net debt at beginning of period	**(5,893)**	(5,432)
Net debt at end of period	**(6,971)**	(5,893)

33. Analysis of net debt

	2017 £m	Cash flow £m	Exchange rate movements £m	Other non-cash movements £m	2018 £m
Cash and short-term deposits	239	(143)	3	-	**99**
Bank overdrafts	(2)	(5)	-	-	**(7)**
Cash and cash equivalents	237	(148)	3	-	**92**
Short-term investments	5	(3)	(2)	-	**-**
Liquid resources	242	(151)	1	-	**92**
Other non-current borrowings	(5,162)	(709)	(23)	(205)	**(6,099)**
Fair value of forward rate agreement	(4)	-	-	4	**-**
Bank/other loans and loan notes	(903)	18	(4)	(8)	**(897)**
Obligations under finance leases	(66)	12	(1)	(12)	**(67)**
Total debt excluding bank overdrafts	(6,135)	(679)	(28)	(221)	**(7,063)**
	(5,893)	(830)	(27)	(221)	**(6,971)**

The other non-cash movements in respect of non-current borrowings relate to the rolling up of interest of £191m into principal in respect of the loans from the parent company (2017: £160m), £2m of effective interest on the debt element of the preference shares (2017: £2m) and £12m of loan transaction costs amortised during the year (2017: £11m). The other non-cash movements in respect of other loans relate to the rolling up of interest of £8m into principal in respect of loans from Group companies (2017: £8m).

34. Disposal of group undertakings

On 1 May 2017, the Group disposed of the trade and assets of its Speciality Steels business to Liberty House Group. On 4 July 2017, the Group subsequently disposed of its Chinese Speciality Business to Liberty House Group, which completed the disposal of the Speciality Steel business.

On 31 July 2017, the Group completed the sale of its 42-inch and 84-inch Submerged Arc Welded ('SAW') pipe mills in Hartlepool to Liberty House Group.

(i) The net assets disposed were as follows:

2018	£m	£m
Property, plant and equipment	1	
Inventories	99	
Trade and other receivables	26	
Trade and other payables	(45)	
Short term provisions and other liabilities	(1)	
Long term borrowings	(1)	
Long term provisions and other liabilities	(1)	
Net assets disposed		78
Gross consideration	55	
Transaction fees and other adjustments	(2)	
Loss recognised in the prior year on the measurement to fair value less cost to sell	22	
Loss on disposal		(3)

The profit from the disposal of the Speciality Steels business which was classified as a discontinued operation for the year was £1m (Note 6), with a loss of £4m relating to the loss on disposal of the SAW Mills business (Note 2).

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

	£m	£m
Gross consideration	55	
Less: deferred consideration	(44)	
Less: preference shares	(6)	
Less: settlement of intercompany cashflows	(8)	
Net cash flow		(3)

35. Related party transactions

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

	2018 £m	2017 £m
Amounts reported within the consolidated income statement:		
Sales to joint ventures	66	47
Sales to associates	128	89
Sales to ultimate parent company	-	1
Sales to other Group companies	44	20
Other operating income with other Group companies	4	1
Purchases from joint ventures	-	1
Purchases from associates	42	35
Purchases from ultimate parent company	5	3
Purchases from other Group companies	1,688	1,394
Interest on loans from immediate parent company (Note 4)	196	163
Interest on loans from other Group companies (Note 4)	74	60
Effective interest on redeemable non-cumulative preference shares issued to immediate parent company (Note 4)	2	2
Discount on disposal of trade receivables within purchase agreement with Group company (Note 4)	69	59
Amounts reported within the Consolidated balance sheet:		
Amounts owed by joint ventures (Note 15)	4	1
Amounts owed by associates (Note 15)	8	6
Amounts owed by other Group companies (Note 15)	6	12
Amounts owed to joint ventures (Note 20)	-	1
Amounts owed to associates (Note 20)	2	3
Amounts owed to ultimate parent company (Note 20)	1	1
Amounts owed to other Group companies (Note 20)	970	986
Interest payable to immediate parent company (Note 20)	34	30
Interest payable to other Group companies (Note 20)	9	9
Loans owed to immediate parent company (Note 19)	4,060	3,140
Loans owed to other Group companies (Note 19)	410	433
Redeemable non-cumulative preference shares issued to immediate parent company (Note 19)	44	41

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

Proco and Proco Issuer

(a) During 2010/11, an arrangement for extended payment terms was reached between TSE, Proco and certain raw material suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by Proco. During 2011/12, this was extended to include a further arrangement whereby Proco acts as principal within certain supply agreements (e.g. raw material and fuel). Under this arrangement, Proco makes the payment to the supplier when due and then Proco provides the extended credit terms to TSE in return for an increase in purchase price. As at 31 March 2018 £820m (2017: £872m) was owed to Proco under these arrangements collectively, with total financing costs in the period of £49m (2017: £38m). Total purchases in the year in relation to this agreement were £1,628m (2017: £1,258m).

(b) A non-recourse securitisation arrangement is in place with Proco Issuer whereby it purchases certain trade receivables from TSE in the UK, Netherlands, France, Germany and Spain. The purchase price of these transactions is set with reference to the carrying value of the underlying receivables less a default deduction and a discount charge, with the receivables de-recognised by the applicable TSE Group member at the time of sale to Proco Issuer and a discount on disposal (representing the default deduction and discount charge) recognised at the same time. The discount on disposal for the period to March 2018 amounted to £69m (2017: £59m). As at 31 March 2018 £133m (2017: £103m) was owed to Proco Issuer under this arrangement. During the year TSE recognised £3m (2017: £2m) of servicing income with Proco which reflects the administration costs incurred by TSE for collecting the debtors on behalf of Proco.

(c) Up to 31 March 2018, TSE received loans from Proco to settle various external creditors. This included the settlement of insurance premiums, the funding of energy procurement from external suppliers for onward sale to Tata Steel UK Limited ('TSUK') and the funding of the sale of emission rights from TSUK and TSN to TSE. This also included an extended supplier credit arrangement between TSE, TSUK and certain third party suppliers under which TSE receives loans from Proco to purchase the TSUK receivables from the third party suppliers and thereby settles the external creditor. As at 31 March 2018 £284m (2017: £309m) (including £5m interest accrued (2017: £5m)) was owed to Proco under this arrangement, with total financing costs in the period of £14m.

ABJA Investment Co. Pte Limited (ABJA)
During the December 2013 quarter, and the March 2014 quarter Tata Steel Netherlands Holdings BV issued unsecured loan notes both with value of £63m (€75m) to ABJA, redeemable on 2 May 2023. The notes are interest bearing at an arm's length rate, which is payable on a semi annual basis. The cumulative finance costs for these notes were £11m (2017: £9m) in the year.

Tata Sons
There is also a branding fee payable to Tata Sons under a brand equity and business promotion agreement, based on net income and profit before tax, with £7m being payable for 2018.

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

	2018 £m	2017 £m
Short-term employee benefits	**6**	6
Other long-term benefits	**-**	3
	6	9

36. Events after the reporting period

On 8th May 2018, TSE announced its intention to divest its Cogent, Kalzip, Firsteel, Engineering Steels Service Centre (Wolverhampton) and Tata Steel Istanbul Metals (Colors) businesses.

On 31 May 2018, TSE received an additional loan of €635m from TSGH. The proceeds from this loan were used to make a partial prepayment on the SFA. The loan from TSGH to TSE is a short term loan and interest is charged at Euribor +3.58% which is the same as the applicable rate on the SFA.

Starting from 1st June 2018 the United States of America ('USA') has imposed additional duties of 25% on imports of Steel from the European Union, Mexico and Canada. TSE have been working with their customers in the USA to try and mitigate the effect of these tariffs. However currently the effect of these new tariffs on TSE is unknown.

37. Ultimate and immediate parent company

T S Global Holdings Pte. Limited is the company's immediate parent company, which is incorporated and registered in Singapore.

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

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

38. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2018 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings

Steel producing, further processing or related activities:

Austria	
Kalzip GmbH (ii) (iii)	Gusshausstrasse 4, Wien, 1040, Austria
Belgium	
Société Européenne de Galvanisation (Segal) Sa (ii) (iii)	Chassée de Ramioul 50, Flemalle, Ivoz Ramet, 4400, Belgium
Tata Steel Belgium Packaging Steels N.V. (ii) (iii)	Walemstraat 38, Duffel, 2570, Belgium
Tata Steel Belgium Services N.V. (ii) (iii)	Coremansstraat 34, Berchem, 2600, Belgium
Brazil	
Tata Steel International (South America) Representacoes Limited (ii) (iii)	Santiago & Amboulos Advogados, Av. Rio Branco, 45 - 10° andar - Grupo 1013, Centro - Rio de Janeiro - RJ. CEP: 20090-003
Bulgaria	
Corus Building Systems Bulgaria AD (65%) (ii) (iii)	1 Gravishko schousse str, Pleven, Bulgaria
Canada	
Cogent Power Inc. (ii) (iii)	845 Laurentian Drive, Burlington, Ontario, Canada, L7N 3W7
Tata Steel International (Canada) Holdings Inc (ii) (iii)	Dentons Canada LLP, 1 Place Villa-Marie, Suite 3900, Montreal, Quebec, Canada
Czech Republic	
Tata Steel International (Czech Republic) S.R.O (ii) (iii)	Praha 2, Mala Stepanska 9, 120 00, Czech Republic
Denmark	
Tata Steel Denmark Byggsystemer A/S (ii) (iii)	Kaarsbergsvej 2, Postbox 136, Ebeltoft, DK 8400, Denmark
Tata Steel International (Denmark) A/S (ii) (iii)	Frederiksborgvej 23, DK-3520 Farum, Denmark
Finland	
Naantali Steel Service Centre OY (ii) (iii)	Rautakatu 5, 21110 Naantali, Finland
Tata Steel International (Finland) OY (ii) (iii)	Hitsaajankatu 22, 00810 Helsinki, Finland
France	
Cbs Investissement SAS (ii) (iii)	Rue Geo Lufbery, Chauny, 02300, France
Inter Metal Distribution (I.M.D.) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
SCI Corbeil Les Rives (67.31%) (ii) (iii)	Rue Decauville, Corbeil Essonnes, 91100, France
Tata Steel France Bâtiment et Systèmes SAS (ii) (iii)	Rue Geo Lufbery, BP 103, Chauny, 02300, France
Tata Steel France Holdings SAS (ii) (iii)	3, Allee des Barbanniers, Gennevilliers, 92632, France
Tata Steel International (France) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
Tata Steel Maubeuge SAS (ii) (iii)	22, Avenue Abbé Jean de Béco, Louvroil, 59720, France
Unitol SAS (ii) (iii)	1 Rue Fernand Raynaud, Corbeil Essonnes, 91814, France
Germany	
Blume Stahlservice GmbH (ii) (iii)	Umschlag 10, 45478 Mulheim, Germany
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
Corus Aluminium Verwaltungsgesellschaft mbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Degels GmbH (ii) (iii)	Königsberger Strasse 25, Neuss, 41460, Germany
Fischer Profil GmbH (ii) (iii)	Waldstrasse 67, Netphen, 57250, Germany
Hille & Müller GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
Kalzip GmbH (ii) (iii)	August-Horch-Strasse 20-22, Koblenz, 56070, Germany
S.A.B Profil GmbH (ii) (iii)	Industriestrasse 13, Niederaula, 36272, Germany
Service Center Gelsenkirchen GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel Germany GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel International (Germany) GmbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany
Greece	
Tata Steel International Hellas SA (ii) (iii)	5, Pigis Avenue, Melissia, 15127, Athens, Greece
India	
Kalzip India Private Limited (ii) (iii)	310, 3rd Floor, Vipul Agora, M.G Road,Gurgaon, Haryana -122002, India
Tata Steel International (India) Limited. (ii) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India

E7. Notes to the financial statements

Ireland (Republic of)	
Corus Ireland Limited. (ii) (iii)	1 Stokes Place, St Stephens Green, Dublin 2, Ireland
Gamble Simms Metals Limited. (ii) (iii)	Tata Steel service centre, steel house, bluebell industrial estate, bluebell avenue, Dublin 12
Lister Tubes Limited. (ii) (iii)	Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Stewarts & Lloyds Of Ireland Limited. (ii) (iii)	1 Stokes Place, St Stephens Green, Dublin 2
Walkersteelstock Ireland Limited. (ii) (iii)	Tata steel service centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Isle of Man	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
Italy	
Kalzip Italy Srl (ii) (iii)	Via santa radegonda 11, 20121 Milan, Italy
Tata Steel International (Italia) Srl (ii) (iii)	Via Giovanni Gioacchino Winckelmann, 2, Milano MI, Italy
Mexico	
Tata Steel International Mexico SA de CV (ii) (iii)	Era 2, Real de Anahuac, 66600 Ciudad Apodaca, Nuevo Leon, Mexico
Netherlands	
Beheermaatschappij Industriële Produkten B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
British Steel Nederland International B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
C. V. Bénine (76.93%) (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Corus Primary Aluminium B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Demka B.V. (ii) (iii) (vii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Esmil B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Huizenbezit Breesaap B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
S.A.B Profiel B.V. (ii) (iii)	Produktieweg 2-3a, Ijsselstein, 3401 Mg, Netherlands
Service Centre Maastricht B.V. (ii) (iii)	Fregatweg 42, 6222 Nz, Maastricht, Netherlands
Staalverwerking En Handel B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Europe Distribution B.V. (ii) (iii)	Postbus 10000, IJmuiden, 1970 CA, Netherlands
Tata Steel Europe Metals Trading B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel IJmuiden B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel International (Benelux) B.V. (ii) (iii)	71 Ankerkade, Maastricht, 6222 NL, Netherlands
Tata Steel Nederland B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Consulting & Technical Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Star-Frame B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Technology B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Tubes B.V. (ii) (iii)	Souvereinstraat 35, Oosterhout, 4903 Rh, Netherlands
Tata Steel Netherlands Holdings B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Nigeria	
Tata Steel International (Nigeria) Limited. (ii) (iii) (xvi)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
Norway	
Norsk Stal Tynnplater AS (ii) (iii)	Habornveien 60, PO Box 1403, N1631, Gamle Fredrikstad, 1630, Norway
Tata Steel Norway Byggsystemer A/S (ii) (iii)	Roraskogen 2, Skien, N 3739, Norway
Poland	
Corus Tubes Poland Spólka z.o.o (ii) (iii)	Ul. Grabiszynska, Wrocla, 53-234, Poland
Tata Steel International (Poland) Spólka z.o.o (ii) (iii)	7, Ul. Piastowska, Katowice, 40-005, Poland
Romania	
Corus International Romania SRL (ii) (iii)	169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania
Russia	
Corus Steel Service STP LLC (ii) (iii)	Office 503, liter A, 34 line 9 V. I., Saint-Petersburg, 199004, Russia
Singapore	
Kalzip Asia Pte Limited (ii) (iii)	112 Robinson Road, #05-01, Singapore, 068902, Singapore
South Africa	
TS South Africa Sales Office Proprietary Limited (ii) (xii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa

Spain	
Kalzip Spain S.L. (ii) (iii)	C/Rosario Pino 14-16, 9e Planta, Madrid, 28016, Spain
Layde Steel S.L. (ii) (iii)	Av. Zugazarte 52, Las Arenas, Vizcaya, 48930, Spain
Tata Steel International Iberica SA (ii) (iii)	Calle Rosario Pino 14-16, Torre Rioja, Madrid, 28020, Spain
Sweden	
Halmstad Steel Service Centre AB (ii) (iii)	Stationsgatan 55, 302 50 Halmstad, Sweden
Norsk Stal Tynnplater AB (ii) (iii)	Rønneholmsvej 11 B, 211 47 Malmø, Sweden
Surahammar Bruks AB (ii) (iii)	Box 201, S-735 23, Surahammar, Sweden
Tata Steel International (Sweden) AB (ii) (iii)	Barlastgatan 2, 414 63 Gothenburg, Sweden
Tata Steel Sweden Byggsystem AB (ii) (iii)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden
Switzerland	
Montana Bausysteme AG (ii) (iii)	Durisolstrasse 11, Villmergen, 5612, Switzerland
Tata Steel International (Schweiz) AG (ii) (iii)	Wartenbergstrasse 40, Basel, 4052, Switzerland
Turkey	
Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Elmadag Harbiye Mahalessi Cumhuriyet Caddesi No: 48, Pegasus Evi Kat:7, Sisli, ISTANBUL, Turkey
UAE	
Kalzip FZE (ii) (iii)	PO Box 261379, Dubai, UAE
Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
Ukraine	
Corus Ukraine LLC (ii) (iii)	Office 16, Building 11/23B, Chekhivskiy Provulok / Vorovskogo Street, 01054 Kiev, Ukraine
United Kingdom	
00302520 Limited (xvii)	30 Millbank London SW1P 4WY
Alloy Steel Rods Limited (xvii)	30 Millbank London SW1P 4WY
Automotive Laser Technologies Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
Bell & Harwood Limited (ii) (iii)	30 Millbank London SW1P 4WY
Blastmega Limited (ii) (iii) (vii)	30 Millbank London SW1P 4WY
Bore Samson Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Bore Steel Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Bright Bar Limited (xvii)	30 Millbank London SW1P 4WY
British Guide Rails Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
British Steel Corporation Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Directors (Nominees) Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Engineering Steels (Exports) Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Service Centres Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Tubes Stockholding Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
C Walker & Sons Limited (ii) (iii)	30 Millbank London SW1P 4WY
Catnic Limited (ii) (iii) (viii) (ix)	30 Millbank London SW1P 4WY
Cogent Power Limited (ii) (iii) (x)	Orb Works, Stephenson Street, Newport, Gwent, NP19 0RB
Cold Drawn Tubes Limited (ii) (iii)	30 Millbank London SW1P 4WY
Color Steels Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel Uk Limited, Po Box 101 Weldon Road, Corby, Northamptonshire, Nn17 5ua
Cordor (C&B) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus CNBV Investments (ii) (iii)	30 Millbank London SW1P 4WY
Corus Cold Drawn Tubes Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels (UK) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Holdings Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
Corus Engineering Steels Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
Corus Engineering Steels Overseas Holdings Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Pension Scheme Trustee Limited (ii) (iii)	British Steel Pend Fund, 17th Floor 125 Old Broad Street, London, EC2N 1AR
Corus Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Holdings Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus International (Overseas Holdings) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Investments Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus Large Diameter Pipes Limited (ii) (iv) (v) (viii)	30 Millbank London SW1P 4WY
Corus Liaison Services (India) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Management Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Property (ii) (iii)	30 Millbank London SW1P 4WY
Corus Service Centre Limited (ii) (iii)	Hull's Hill, Lisburn, Co.Atrim, BT28 2SR

Corus UK Healthcare Trustee Limited (ii) (iii)	30 Millbank London SW1P 4WY
Cpn (85) Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
Darlington & Simpson Rolling Mills Limited (xvii)	30 Millbank London SW1P 4WY
Dsrm Group Plc. (ii) (iii)	30 Millbank London SW1P 4WY
Europressings Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
Firsteel Engineering Limited (ii) (iii)	30 Millbank London SW1P 4WY
Firsteel Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Firsteel Holdings Limited (ii) (iii)	30 Millbank London SW1P 4WY
Grant Lyon Eagre Limited (ii) (iii)	30 Millbank London SW1P 4WY
H E Samson Limited (ii) (iii)	30 Millbank London SW1P 4WY
Hadfields Holdings Limited (62.5%) (ii) (iii)	30 Millbank London SW1P 4WY
Hallamshire Steel Co. Limited(The) (xvii)	30 Millbank London SW1P 4WY
Hammermega Limited (ii) (iii)	30 Millbank London SW1P 4WY
Harrowmills Properties Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
John Tinsley Limited (xvii)	30 Millbank London SW1P 4WY
Kalzip Limited (ii) (iii)	Haydock Lane, Haydock, St Helens, Merseyside, WA11 9TY
London Works Steel Company Limited (ii) (iii)	30 Millbank London SW1P 4WY
Midland Steel Supplies Limited (ii) (iii) (xv)	Hill House, 1 Little New Street, London, EC4A 3TR
Nationwide Steelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Orb Electrical Steels Limited (ii) (iii)	Orb Works, Stephenson Street, Newport, NP19 0RB
Ore Carriers Limited (ii) (iv) (v) (viii)	30 Millbank London SW1P 4WY
Plated Strip International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Precoat International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Precoat Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
Round Oak Properties Limited (ii) (iv) (xi)	15 Great Marlborough Street, London, W1V 1AF
Round Oak Steel Works Limited (ii) (iii)	30 Millbank London SW1P 4WY
Runblast Limited (ii) (iii)	30 Millbank London SW1P 4WY
Runmega Limited (ii) (iii)	30 Millbank London SW1P 4WY
Samuel Fox Limited (xvii)	30 Millbank London SW1P 4WY
Seamless Tubes Limited (ii) (iii)	30 Millbank London SW1P 4WY
Smith, Druce Stainless Limited (xvii)	30 Millbank London SW1P 4WY
Steel Peech & Tozer Limited (xvii)	30 Millbank London SW1P 4WY
Steel Stockholdings Limited (ii) (iv) (v)	30 Millbank London SW1P 4WY
Steelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Stewarts And Lloyds (Overseas) Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Swinden Housing Association (ii) (iii)	Swinden House, Moorgate, Rotherham, South Yorkshire, S60 3AR, England
Tata Steel UK Consulting Limited (ii) (iii)	30 Millbank London SW1P 4WY
Tata Steel UK Holdings Limited (ii) (iii)	30 Millbank London SW1P 4WY
Tata Steel UK Limited (ii) (iii)	30 Millbank London SW1P 4WY
The Newport And South Wales Tube Company Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
The Stanton Housing Company Limited (ii) (iii)	30 Millbank London SW1P 4WY
The Steel Company of Wales Limited (xvii)	30 Millbank London SW1P 4WY
The Templeborough Rolling Mills Limited (ii) (iv) (v)	30 Millbank London SW1P 4WY
Toronto Industrial Fabrications Limited (ii) (iii) (xi)	30 Millbank London SW1P 4WY
Tulip UK Holdings (No.2) Limited (i) (iii)	30 Millbank London SW1P 4WY
Tulip UK Holdings (No.3) Limited (ii) (iii)	30 Millbank London SW1P 4WY
U.E.S. Bright Bar Limited (ii) (iii)	30 Millbank London SW1P 4WY
United Steel Structural Company Limited (xvii)	30 Millbank London SW1P 4WY
UK Steel Enterprise Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
UKSE Fund Managers Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
Walker Manufacturing And Investments Limited (ii) (iii)	30 Millbank London SW1P 4WY
Walkersteelstock Limited (ii) (iii)	30 Millbank London SW1P 4WY
Wellington Tube Works Limited (xvii)	30 Millbank London SW1P 4WY
Westwood Steel Services Limited (ii) (iii)	30 Millbank London SW1P 4WY
Whitehead (Narrow Strip) Limited (ii) (iii)	30 Millbank London SW1P 4WY
USA	
Apollo Metals, Limited. (ii) (iii)	1001 Fourteenth Avenue, 18018-0045 Bethlehem, USA
Cogent Power Inc. (ii) (iii)	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, New Castle County, United States
Hille & Müller USA, Inc. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Hoogovens Usa, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Oremco, Inc. (ii) (iii)	60 E42 Street, New York, N.Y., 10165, United States
Rafferty-Brown Steel Co Inc Of Conn. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel International (Americas) Holdings Inc. (ii) (iii)	Wilmington Trust SP Services, Inc, 1105 N Market Place, Wilmington, DE, 19899, USA
Tata Steel International (Americas) Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel USA, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Thomas Processing Company (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Thomas Steel Strip Corp. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States

E7. Notes to the financial statements

Classification key:

(i) Directly owned by Tata Steel Europe Limited
(ii) Indirectly owned by Tata Steel Europe Limited
(iii) Ordinary shares
(iv) Ordinary A shares
(v) Ordinary B shares
(vi) Ordinary C shares
(vii) Preference shares
(viii) Deferred shares
(ix) Deferred A shares
(x) Cumulative redeemable preference shares
(xi) Non-cumulative preference shares
(xii) No share capital
(xiii) Company sold 1 May 2017
(xiv) Company sold 4 July 2017
(xv) Currently in liquidation via a Members Voluntary Liquidation
(xvi) Currently in liquidation
(xvii) Not consolidated

All subsidiaries are included in the consolidation of these accounts.

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

Joint ventures, Joint operations and associates

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

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

Classification key:

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

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

Tata Steel Europe Limited
30 Millbank
London
SW1P 4WY
United Kingdom
T +44 (0)20 7717 4444
F +44 (0)20 7717 4455

Registered No: 05957565