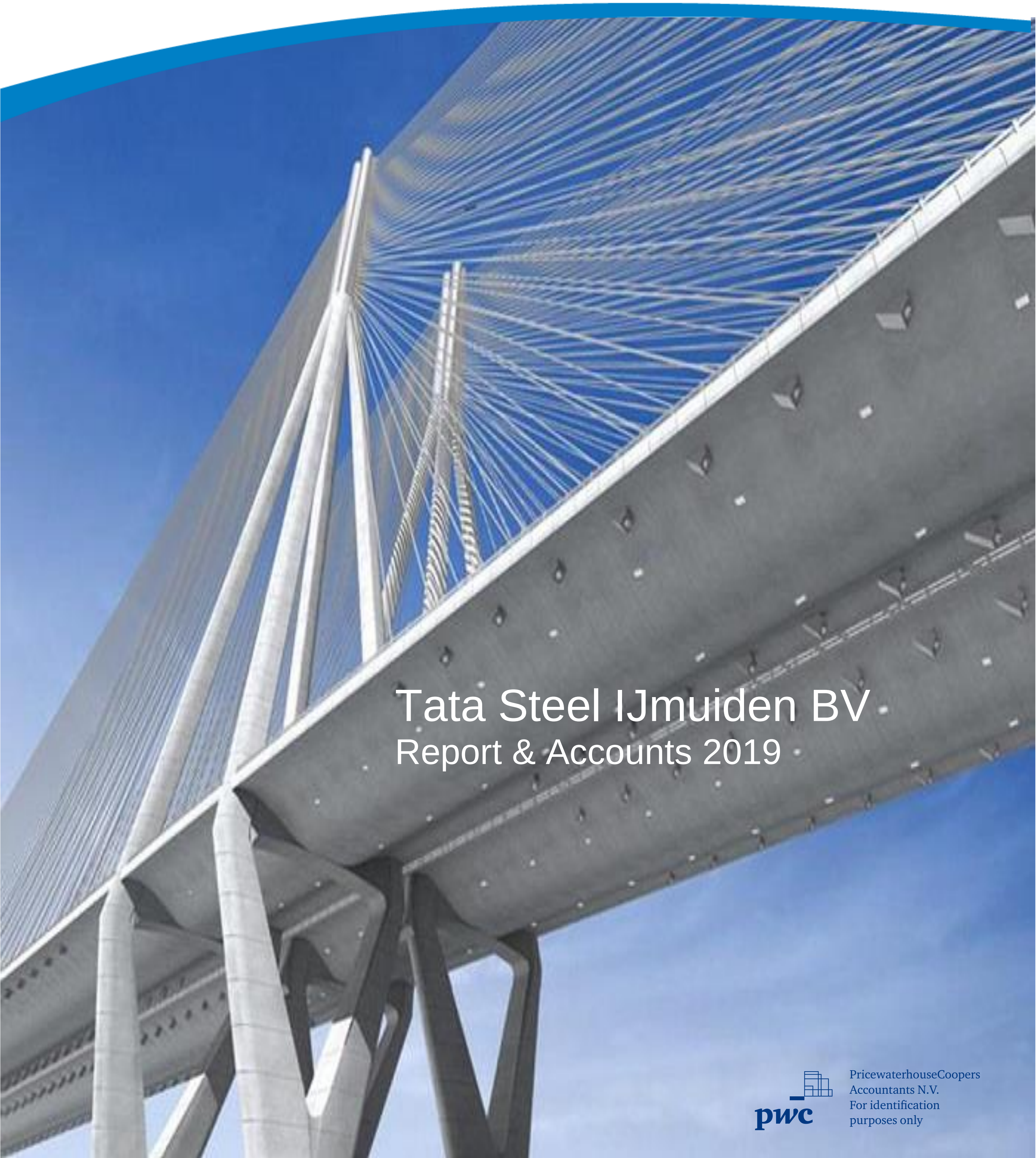
TATA STEEL

TATA



Tata Steel IJmuiden BV

Report & Accounts 2019

pwc PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Contents

A. Report of the Board of Directors

Introduction

The Board of Directors ('BoD') herewith presents the annual report together with the audited accounts of Tata Steel IJmuiden B.V. ('TSIJ' or the 'Company') for the year ended 31 March 2019 ('FY19').

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

The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on BSE Limited (formerly the Bombay Stock Exchange Limited), Mumbai and the National Stock Exchange of India, and with global depositary receipts listed on the London and the Luxembourg Stock Exchanges.

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

The BoD would like to express its gratitude to all TSIJ employees for their contributions to the Company's performance in FY19 and their support to realise the result for the current year.

Principal business activities, objectives and strategy

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

TSIJ produces carbon steel by the basic oxygen steelmaking method at one integrated steelworks in IJmuiden, the Netherlands. This plant produced a total of 7.1mt of steel products in the current year (FY18: 7.1mt). Further processing is done at other TSIJ and TSN subsidiaries.

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

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

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

Important for the future of the Company is the investment program referred to as the Strategic Asset Roadmap ('STAR'). This program will enable a state of the art asset base and an extension of the product portfolio in high value products whilst at the same time maintaining the Company's low cost position in Europe. TSIJ can grow in high-value markets, such as Automotive, Lifting & Excavating, Packaging and Building Systems. This requires a complete product portfolio, very stable production and the highest delivery performance. Targeted investments will allow TSIJ to meet these requirements and will contribute to a sustainable profit for TSIJ. In FY18, the first series of investments from this programme have been initiated. In addition, a second STAR programme is being developed.

On 30 June 2018 TSL and thyssenkrupp AG ('tk') signed definitive agreements to create a new 50:50 joint venture ('JV') company called thyssenkrupp Tata Steel ('tkTS'). On 10 May 2019 TSL and tk announced that activities to complete the JV had been suspended, as it was anticipated that the JV would not receive merger control approval from the European Commission ('EC'). The anticipated refusal for merger control approval was subsequently confirmed by the EC on 11 June 2019.

Dynamics of the business

The steel industry is cyclical. Financial performance is affected by general macroeconomic 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 TSIJ.

Economic climate

Global GDP growth in 2018 was 3.2%, unchanged from 2017. The Eurozone economy grew by 1.8% in 2018 compared to 2.5% in 2017. Growth was negatively impacted by a slowing Chinese economy and US protectionism. GDP growth in China decelerated in 2018 to 6.6% (2017: 6.9%) due to lower domestic demand. The Chinese 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 growth in 2018 decreased to 3.9% (2017: 5.0%). Demand for steel in China increased by 6.0% (2017: 8.2%). Steel demand in the EU grew by 2.2% (2017: 1.3%). Output growth in the steel using sectors in the EU eased in the second half of 2018, especially in the automotive sector. Output of passenger cars was negatively impacted by the introduction of new emission testing procedures and a slowdown in demand both inside and outside the EU.

In 2018 global steel production increased by 5.5%, unchanged from 2017. Steel production in China increased by 8.7% (2017: 6.1%) and equated to 52% of global steel production. In the EU output decreased by 0.4% (2017: increase 3.4%).

In 2018 the EU was a net importer of steel at 16.9mt (imports: 46.3Mt, exports: 29.4Mt). Exports from China to the rest of world decreased further in 2018 to 68.8Mt (2017: 74.8Mt, 2016: 108.1Mt).

European steel spot prices, based on Hot Rolled Coil ("HRC") in Germany (parity point), weakened during the fiscal year from €568/t in the first quarter to €520/t in the final quarter. As economic growth weakened, capacity utilisation in the global steel industry reduced causing steel prices and margins to fall.

Raw materials

The principal raw materials used in TSIJ's carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price of iron ore fines (China CFR 62%) in 2018/19 at US$72/t remained broadly unchanged from the previous year. The hard coking coal spot price (Australia FOB) at US$202/t was also broadly unchanged compared to the previous year. The German benchmark E3 scrap price increased by €18/t to €288/t in 2018/19 compared to the previous year.

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. In 2018 the US government imposed a 25% tariff on steel imports as part of its "Section 232" ruling. In response, and to counter trade diversions resulting from the US measures, the EU imposed a 25% tariff on steel imports once a quota had been filled.

In 2018 steel demand in the EU increased by 5.1mt (2017: 2.0mt). Deliveries by EU mills increased by 2.5mt (2017: 2.2mt) whilst imports increased by 2.6mt . The market share for imports into the EU increased to 16.9% (2017: 15.7%).

Financial review

Operating profit increased from €222m in FY18 to €296m in FY19, mainly due to improved commercial results. Net turnover increased to €4,484m from €4,214m in FY18 as a result of improved market conditions. The profit before taxation amounted to €303m and the tax charge to €(75)m. This included the proceeds from a land sale to Tennet. The net profit after taxation amounted to €228m, an increase of €81m compared with FY18.

Capital and reserves increased by €242m to €2,668m at the end of FY19.

The increase of €242m consisted of:

- The profit after taxation of €228m; and
- Other comprehensive gain of €14m consisting of movements in the cash flow hedge reserve.

Capital expenditure

Capital expenditure on tangible fixed assets (including loose plant, tools, and spares) in FY19 amounted to €282m (FY18: €280m). Significant capital expenditure has been committed in the SPMLE business on the Strategic Asset Roadmap Programme (STAR) to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. During FY19, these included preparation for the installation of a new caster (Continuous Caster 23) to allow enhanced casting capabilities for advanced products, the upgrade of a cold mill and preparation for a walking beam furnace in the hot strip mill.

Other major projects ongoing throughout the year in SPMLE included the cold blast supply to the blast furnaces, refurbishment of the pellet plant and renovation of the ovens in the coke & gas plants. Significant capital expenditure on intangible fixed assets has been committed to the Smart Steel Factory project.

In the Packaging business, a major capital project was commissioned during FY19 to manufacture for the first time Protact® NG, a multi-layered polymer system that will meet increasingly stringent food requirements.

Business review

Tata Steel Strip Products MLE

SPMLE manufactures hot rolled, cold rolled and metallic-coated steels for the automotive and transport industries, building and construction, consumer appliances and electronics, and general engineering.

The Lost Time Injuries (LTI) rate of SPMLE employees in 2018/19 was 1.2, which was 0.1 worse than last year. The rolling LTI rate for contractors was 3.2 bringing the combined (i.e. employees and contractors) 12 month rolling LTI rate to 1.7 (0.2 worse than last year).

The FY19 operating result after restructuring, impairment and disposals was higher than in FY18 due to better commercial results.

Deliveries increased by 149kt compared to last year. As a consequence of the higher deliveries steel stocks decreased by 90kt.

Liquid steel production was at the same level as FY18, with fewer production disturbances mitigating some loss of production caused by a fire at caster 22 in August 2018. The direct sheet plant realised a new annual record output of 1,373kt. Furthermore, the rolling and coating lines incurred some idle time towards the end of the financial year, also due to lack of orders as a consequence of weaker market conditions.

Tata Steel Packaging

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

The LTI rate in FY19 was 1.1, which was 0.5 worse than the previous year.

The FY19 operating result after restructuring, impairment and disposals was slightly below the previous year, due to better margins, offset by lower volumes. Activity levels in the IJmuiden installations were affected by the weaker order book in the first half of the year and by production related issues in the second half. Duffel volumes were above AP due to improved demand.

Tata Steel Colors IJmuiden

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

The LTI frequency rate of employees in FY19 was 2.6 compared to 0.7 in the previous year.

The FY19 operating result after restructuring, impairment and disposals was worse than the previous year due mainly to reduced margins, which were adversely impacted by increased paint and energy prices.

Research & development

Research & Technology programme

Approximately 80% of the TSIJ 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 primarily 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. The operations of the pilot plant were transferred during the year to SPMLE, but research activity continued to focus on CO_2 reduction and capture. Successful research activities were undertaken in the year to test the use of charcoal, scrap and lower grade ores;
- The decoupling of the rolling process from the final surface texture, using laser texturing;

- The improved New Product Development programme to speed up the Company's New Product Development process with the use of digital twins, a small sample route, tailored data analytics and bespoke characterisation;
- Physical vapour deposition, a cold zinc coating technology that allows an extension of the zinc coated product range towards the future UHSS automotive grades well above 1000 MPa;
- First time right casting to develop predictive models for more advanced complex casts to reduce the occurrence of cracks in casting.

Process development

The process technology programme in 2018/19 was focused on lean and robust manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports TSIJ's manufacturing and differentiated product strategy. Key achievements in 2018/19 were:

- Increase of Bac-UP Roll ('BUR') campaign length in the last stand of Cold Mill 21 ('CM21').

- Cooling Induced Shape Change Algorithm ('CISCA') version 2.0 has become available as a coiling model. CISCA models the coiling, cooling down in hot strip rolling and (batch) annealing, and uncoiling; used to calculate coil stability;

- Implementation of the smart run out table setup STORM-Lite in Hot Strip Mill 2 ('HSM2') has increased the performance of HSM2 and is a first step to a full STORM model.

- Increasing 'M ore' usage as a high Value In Use iron ore for the IJmuiden Pellet Plant.

- Coal Interaction Prediction Model.

- Bulging indicator for the Direct Sheet Plant reduces operational risks.

Product market sector developments

A key element of the TSIJ'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 FY19 a total of 22 new products were introduced of which the most significant ones include:

- XPF1000, a new higher strength product in the XPF family;

- Magizinc® + PLT as a product with improved press behaviour and better corrosion resistance;

- 30MnB5 a hot rolled manganese boron steel grade, heat treated to produce complex shaped agriculture wear parts;

- COLORCOAT SDP50 on ZM: extension of the colorcoat range of OCS products, now offering a full Cr-free colorcoat SDP50 product on Magizinc® metallic coating rather than the traditional HDG metallic coating.

People

Health and safety

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

Health and safety plans continue to be deployed across the sites, including deployment of approved TSE Health and Safety standards and codes of practice. TSIJ's safety performance as measured by the combined LTIF deteriorated in 2018/19 with 1.58 compared to 1.22 in 2017/18.

Pension scheme

Stichting Pensioenfonds Hoogovens ('SPH') operates the pension scheme of the IJmuiden site in the Netherlands. Tata Steel Nederland BV and the trade unions agreed to fix the Company's contribution level at 29% of pensionable earnings for the three-year period from 1 January 2018 to 31 December 2020. The SPH pension scheme is classified in the financial statements as a defined contribution scheme.

Employment policies

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

In 2017 the IJmuiden wide collective labour agreement ('CLA') was agreed with the Trade Unions for a two years period starting from 1 April 2017 up to 31 March 2019. In

April 2019 a new two-year IJmuiden wide CLA was negotiated.

The average age of TSIJ's employee population is increasing and, due to the higher retirement age, employees will have to continue to work longer than before. These developments call for policies aimed at improving both the ability and the willingness to continue to work longer. Key programmes are agreed and supported by the Trade Unions and Works Council.

A strong example is the retirement Generation Pact programme. Tata Steel and the trade unions consider it important that employees can reach retirement in a good and healthy way. The Generation Pact offers the opportunity to work less to reduce the workload in the last years before retirement.

Environment

Policy

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

Climate change is one of the most important issues facing the world today. TSIJ recognises that the steel industry is a significant contributor to man-made greenhouse gas emissions as the manufacture of steel unavoidably produces CO_2. However, TSIJ's products are also part of the solution to climate change. Steel has inherent environmental advantages, as it is durable, adaptable, reusable and recyclable. It is used, for example, in affordable and energy-efficient modular homes, and in lighter, stronger and safer transport systems.

As a result, CO_2 emissions in steel production can be offset by reductions in direct & indirect emissions through the life cycle of steel products, achieved through effective product development and design and through recycling at end-of-life. Within the European steel industry, the IJmuiden works is recognised as one of the leading facilities in CO_2 reduction. Furthermore, TSIJ aims to contribute positively to the communities around or near to its operations.

Energy efficiency and CO_2 emissions

In the Netherlands, Tata Steel 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 2009-2012 and 2013-2016 inclusive). The primary requirement of the agreement is the implementation of energy efficiency projects according to the Energy Efficiency Plan ('EEP') as agreed with the Dutch government, covering both process efficiency measures within the manufacturing process and energy saved across the product life cycle. The total energy savings (including the product life cycle effect) in 2018 were equivalent to 6% of the IJmuiden site's energy consumption (2017: 7%).

Although TSIJ's steel production was below pre-crisis levels, the allocation of CO_2 credits continued to be lower than the emitted volume. This was caused by the unexpected application of a cross sectoral correction factor throughout Phase 3 (2013 to 2020 inclusive) of the EU Emissions Trading System ('EU ETS') by the European Commission.

Environmental Permit issues

In 2019 Tata Steel applied for a permit for Hot Rolling Furnace 25. The new walking beam furnace will be equipped with advanced technology like burner technology and better insulation to reduce energy consumption and NOx emissions.

In 2016 Tata Steel obtained a permit regarding the Dutch nature conservation act. The main topic in the permit application is the nitrogen deposition in nature conservation areas ('Nature 2000' areas) in the vicinity of the IJmuiden site. As a consequence of this permit, TSIJ has made a landscaping plan with the aim to improve and connect ecosystems on the site with the surrounding Nature 2000 areas. The plan has been approved by the authorities. The plan is also used to facilitate or even stimulate nature development on temporary undeveloped areas (in Dutch "tijdelijke natuur") without disrupting future developments in TSIJ's operations. TSIJ is the first company that applied for the so called "code of behaviour temporary nature" (gedragscode "Tijdelijke Natuur"). This code was awarded by a member of the Provincial Executive.

According to the EU Industrial Emissions Directive ('IED'), in March 2016 the Conclusions on Best Available Techniques ('BAT') from the BREF Iron & Steel had to be implemented in the site permit. Tata Steel is still in discussion with authorities about possible installation adjustments at one of the hot blast stoves of the blast furnaces, the coke plant and the pellet plant. The national authority has instructed the regional authority to execute an investigation into a denox installation at the pellet plant. This request has been declined by the regional authority. The national authority also does not agree with the proposed NOx limit values for hot stoves of the regional authority. A final decision about this appeal case is expected later this year. The extracted gases from coke charging at Coke Plant 1 are cleaned by a fabric filter. The PAH emission exceeded the limit value substantially. After an investigation the fabric filter has been adapted to meet the limit value. It is expected that authorities will agree with the chosen solution although there is still a discussion if this measure is a BAT.

The revised BREF Large Combustion Plant ('LCP') was published in August 2017. The national government intends to introduce the implementation of the BREF LCP in the general rules ('ELVs') of the Activiteitenbesluit in a way that the boilers of the TSIJ Energy Department cannot meet these general requirements for the whole calendar year. The Ministry send their opinion on the way they intend implementing the BREF LCP in the Activiteitenbesluit to the Council of State for advice.

In 2018 the revision of the BREF Ferrous Metal Processing ('FMP') was initiated by the European IPPC Bureau. In this BREF the activities for hot and cold rolling and the galvanizing lines are described with the mandatory techniques to reduce environmental emissions. TSIJ is an active stakeholder in the revision of this BREF. The first draft of this document has already been published and a final document is expected to be finalised before 2021.

The company continues to invest substantially in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements TSIJ 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 and emissions of other components such as dust, dioxins and heavy metals. A permit has been provided for the next campaign which starts in June/July 2019. All results obtained in the HIsarna pilot plant will be included in the design of a full scale demonstration plant of about 1 million tonnes of iron per annum.

Environmental complaints

In FY19 the number of total complaints was 4,149, significantly higher than FY18. Noise, odour and dust complaints originate mainly from Wijk aan Zee. In FY19 79,8 % of the total complaints were related to dust, 16,9% were related to odour and 3,3% to noise. Due to graphite emissions public opinions in the neighbouring village of Wijk aan Zee voiced concerns. These concerns were immediately heard and were primarily addressed by changes in the production and slag handling process. Furthermore, a steering committee and task force chaired by members of the BoM has been established to manage all the issues relating to complaints. A 10-year plan to reduce all sources of nuisances was published and shared with the inhabitants of Wijk aan Zee in June 2019.

Various measures have been implemented in TSIJ to allow operators to stop or reduce dust emissions, in particular through the deployment of air and steam boxes.

As part of its overall strategy to reduce environmental complaints at IJmuiden, Tata Steel organizes regular meetings with inhabitants of Wijk aan Zee. The purpose of these meetings is to inform the local community about measures taken by the Company to reduce emissions and avoid environmental nuisance, and to understand from local residents their main issues and concerns regarding Tata Steel's activities. Tata Steel also continues to publish online an Environmental News Report to inform stakeholders about new developments and activities that could avoid environmental nuisance.

Regional developments

Although the local air quality is currently in compliance with European air quality standards, TSIJ has the ambition to look for improvement opportunities. This is the main subject of an environmental dialogue that is ongoing with all relevant governmental and other organisations in the Region.

In 2016 Tata Steel signed a partnership agreement with the Provinciaal Waterleidingbedrijf Noord-Holland ('PWN'), a public company responsible for maintaining the Nature 2000 area in close proximity to the IJmuiden site. As a result of this partnership nature excursions were organized at the site and guided by foresters of the PWN. This partnership will be evaluated and new activities with local stakeholders will be planned.

National and European Policy developments

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

In the Netherlands, a new regulation is under development about the physical environment. Through the Environment and Planning Act (Omgevingswet) the government wants to simplify the laws on environment and planning, and combine them into one Environment and Planning Act. TSN is supportive to these changes. An important part of the regulation is health in the residential areas and the competence of the local government. TSN has started to investigate the impact and prepare the organization for the changes this new regulation will create. TSN also participates in a pilot with local governments to practice the decision-making processes under this new regulation. The Omgevingswet has been approved by both Chambers of the Dutch Parliament and the cabinet is now drawing up introductory legislation. The expectation is that the Omgevingswet will take effect in 2021.

The intention of the national government is to make an air quality plan. In this plan a road map will be published to advise the way the Netherlands will be able to meet the WHO advisory values. The planning for this plan to be published in the fourth quarter of 2019. TSIJ is expected to be consulted.

Principal risks and risk management

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

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

Risk registers that are prepared by the individual entities of TSN are consolidated in an overall TSN risk register, highlighting potential impact of the risks as well as probability of occurrence. The TSN risk register is updated every six months. After every update a selection of the "Top 10" risks and mitigation measures is reviewed by the TSN BoM together with the TSN Supervisory Board.

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

Acquisitions and disposals

There were no acquisitions nor disposals in FY19.

Composition of the Board of Management

During FY19 the Board of Management was composed of Mr. Th.J. Henrar, Mr. J.E. van Dort and Mr. J. van den Berg. The board will strive for equal representation of male and female board members with future appointments.

Prospects for 2019/20

The World Steel Association predicts that growth of global steel demand will decelerate to 1.4% in 2019 in line with reduced economic growth. EU steel demand is expected to grow by only 0.5% in 2019. Margins are expected to remain under pressure in 2019 as further reductions to global overcapacity are unlikely.

Post balance sheet events

In April 2019 a new two year TS IJmuiden collective labour agreement (CLA) was negotiated with an increase wage level of 6.5% over two years.

On 30 June 2018 TSL and thyssenkrupp AG ('tk') signed definitive agreements to create a new 50:50 joint venture ('JV') company called thyssenkrupp Tata Steel ('tkTS'). On 10 May 2019 TSL and tk announced that activities to complete the JV had been suspended due to the unlikelihood of obtaining merger control approval from the European Commission ('EC'). The anticipated refusal for merger control approval was subsequently confirmed by the EC on 11 June 2019.

Board of Directors

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 25 July 2019

Income statement

For the financial year ended 31 March

	Note	**2019 €m**	2018 €m
Revenue	1	**4,484**	4,214
Operating costs	2	**(4,188)**	(3,992)
Operating profit		**296**	222
Finance costs	5	**(4)**	(4)
Finance income	5	**11**	4
Profit before taxation		**303**	222
Taxation	6	**(75)**	(75)
Profit after taxation		**228**	147

All references to 2019 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 25 refer to the financial period ended 31 March 2019 or as at 31 March 2019 as appropriate (2018: the financial period ended 31 March 2018 or as at 31 March 2018).

Notes and related statements forming an integral part of these accounts appear on pages 14 to 36.

Statement of comprehensive income

For the financial year ended 31 March

	Note	**2019 €m**	2018 €m
Profit after taxation		**228**	147
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) arising on cash flow hedges	16	**18**	(19)
Income tax relating to items that may be reclassified	16	**(4)**	5
Other comprehensive income/ (loss) for the year net of tax		**14**	(14)
Total comprehensive income for the year		**242**	133

Notes and related statements forming an integral part of these accounts appear on pages 14 to 36.

Balance sheet
(after appropriation of net profit/loss)

As at 31 March

	Note	2019 €m	2018 €m
Non-current assets			
Intangible assets	7	**95**	100
Property, plant and equipment	8	**1,722**	1,622
Investments in subsidiaries, joint ventures and associates	9	**66**	64
Deferred tax asset	18	**9**	8
		1,892	1,794
Current assets			
Inventories	10	**779**	779
Trade and other receivables	12	**908**	709
Current tax assets	11	**1**	5
Short term investments	13	**240**	103
Cash and short term deposits	13	**47**	151
		1,975	1,747
TOTAL ASSETS		**3,867**	3,541
Current liabilities			
Borrowings	15	**(13)**	(25)
Trade and other payables	14	**(877)**	(873)
Current tax liabilities	11	**(132)**	(89)
Short term provisions and other liabilities	17	**(32)**	(6)
		(1,054)	(993)
Non-current liabilities			
Borrowings	15	**(46)**	(26)
Deferred tax liabilities	18	**-**	-
Provisions and other liabilities	17	**(93)**	(89)
Deferred income	19	**(6)**	(7)
		(145)	(122)
TOTAL LIABILITIES		**(1,199)**	(1,115)
NET ASSETS		**2,668**	2,426
Equity			
Called up share capital	20	**113**	113
Hedging reserve		**11**	(3)
Retained earnings		**2,544**	2,316
TOTAL EQUITY		**2,668**	2,426

Notes and related statements forming an integral part of these accounts appear on pages 14 to 36.

Statement of changes in equity

	Share capital €m	Hedging reserve €m	Retained earnings €m	**Total €m**
Balance at 1 April 2017	113	11	2,244	**2,368**
Profit after taxation	-	-	147	**147**
Other comprehensive loss for the year	-	(14)	-	**(14)**
Total comprehensive income/(loss) for the year	-	(14)	147	**133**
Dividends	-	-	(75)	**(75)**
Balance at 31 March 2018	113	(3)	2,316	**2,426**
Profit after taxation	-	-	228	**228**
Other comprehensive income for the year	-	14	-	**14**
Balance at 31 March 2019	113	11	2,544	**2,668**

Notes and related statements forming an integral part of these accounts appear on pages 14 to 36.

Presentation of accounts and accounting policies

I Introduction

Tata Steel IJmuiden BV ('TSIJ') is located in IJmuiden, municipality of Velsen, the Netherlands, forms part of the Tata Steel Group. The Kamer van Koophandel number of the company is 34040331. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on the Mumbai Stock Exchange and the National Stock Exchange of India, and with global depository receipts listed on the London and the Luxembourg Stock Exchanges.

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

The 2019 Annual Accounts of Tata Steel IJmuiden B.V. have been authorised for issue by the Board of Directors on 25 July 2019.

II Basis of preparation

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

This Annual Report of Tata Steel IJmuiden B.V. does not include consolidated accounts as the Company has applied the exemption allowed by IAS 27 "Consolidated and Separate Financial Statements",article 10 "Presentation of consolidated financial statements" and Article 408, Book 2 of the Dutch Civil Code. The annual accounts of Tata Steel IJmuiden B.V. and its group companies are part of the consolidated accounts of Tata Steel Nederland B.V. The financial statements of Tata Steel Nederland B.V. are filed at the chamber of commerce under number 34005278.

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

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

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

III New standards and interpretations applied

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

		Effective Date*
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
IAS 40 (Amendments)	Transfers of Investment Property	1 Jan 2018
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	1 Jan 2019
IFRIC 22	Foreign currency Transactions and Advance Consideration	1 Jan 2018

** periods commencing on or after*

The Amendments to the above Standards did not have a material impact on the TSIJ financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. TSIJ has not restated comparatives.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting

Applying the new requirements has not had a material impact on the Group's consolidated financial statements.

TSIJ's accounting policy on financial instruments has been updated to reflect the adoption of IFRS 9 (see Section VII (f)).

Applying the revised Expected Credit Losses (ECL) methodology did not result in any material change to the loss allowance recorded under IAS 39 since the Company's exposure to credit losses is limited through insurance (see note 12).

Except for the changes to impairment methodology as noted above, the remainder of the differences as a result of adoption of IFRS 9 are limited to immaterial presentational and disclosure changes. Refer to note VI for the revised accounting policy applied across the Company.

IFRS 15 "*Revenue from Contracts with Customers*" was issued on 28 May 2014 and provides a unified five step model for determining the timing, measurement and

recognition of revenue. The focus of the new standard is to recognise revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "*Revenue*", IAS 11 "*Construction Contracts*" and a number of revenue-related interpretations. On 12 April 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation and determine whether a company is a principal or an agent.
TSIJ's revenue is predominantly derived from the single performance obligation to transfer steel products under arrangements in which the transfer of risks and rewards of ownership and the fulfilment of the Company's performance obligation occur at the same time. As part of the adoption process, the Company assessed its performance obligations underlying the revenue recognition and assessed variable considerations including rebates, methods for estimating warranties, customised products and principal versus agent considerations. The adoption of this standard did not have a material impact on the financial statements of the Company.

The additional required disclosures are presented in note 1.

IV New standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following standards, which are relevant to the Company's reporting but have either not been applied as they have not been adopted for use in the European Union (EU) in the year ended 31 March 2019, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 16	Leases	1 Jan 2019
IFRS 17	Insurance Contracts	1 Jan 2021
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
IFRIC 23 (Revised Interpretation)	Uncertainty over Income Tax Treatments	1 Jan 2019

** periods commencing on or after*

IFRS 16 Leases

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance IAS 17 '*Leases*' and IFRIC 4 '*Determining Whether an Arrangement Contains a Lease*' when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 April 2019.

In preparation for the first-time application of IFRS 16, the Company has recently concluded an implementation project which it initiated in 2017. The project has concluded that IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

The Company has chosen to apply this standard retrospectively by applying the modified-retrospective approach with asset amounts set equal to the lease liability on transition on 1 April 2019. The comparative year's lease liabilities will not be restated.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Transition approach and exemptions
The Company has chosen the following:

- Not to make use of the 'grandfather' practical expedient available on transition to IFRS 16, which requires the Company to reassess whether a contract is or contains a lease;
- Not to make use of the practical expedient in IFRS 16 to account for each lease component within the contract as a lease separately from non-lease components; and
- Make use of the practical expedient available to place reliance upon the assessment for onerous leases and transferring the provision currently recognised to impairment of right-of-use assets;

On application of IFRS 16 on 1 April 2019, the Company will apply the following exemptions;

- Exclude short term leases (lease term of 12 months or less); and
- Exclude low-value assets (such as personal computers and office equipment).

Impact on Lessee Accounting
As at 31 March 2019, the Company has non-cancellable operating lease commitments on an undiscounted basis of £92m. (See note 22).

Estimated financial impact
TSIJ has estimated that the adoption of IFRS 16 is likely to include the following impact on its financial statements:

- *Balance sheet* - recognise on 1 April 2019 right-of-use assets of € 34m - €37m.
- *FY20 income statement* – decrease the result before tax by € nil. This comprises a decrease of €13m - €15m to operating costs, an increase of €12m - €14m to depreciation and an increase of €1m to the interest expense.

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

V Use of estimates and critical accounting judgements

In the application of the Company's accounting policies, which are described in section VI, the BoM are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The BoM consider there are no critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

1) Provisions

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

2) Recognition of deferred tax assets

The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur based on the Company's annual plans and future forecasts. Further information can be found in note 18.

3) Post-retirement benefits

The Company's retirement benefit obligations are assessed by selecting key assumptions. The selection of inflation, salary growth, and mortality rates are key sources of estimation uncertainty which could lead to a material adjustment in the defined benefit obligations within the next financial year. The Company sets these judgements with close reference to market conditions and third party actuarial advice.

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

VI Critical accounting policies

(a) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

(c) Taxation

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

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

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

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

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

(d) Retirement benefit costs

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

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

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

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

(e) Provisions

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

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

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

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

VII Other accounting policies

(a) Revenue

The Company's revenue is primarily derived from the single performance obligation to transfer steel products under arrangements in which the transfer of control of the products and the fulfilment of the Company's performance obligation occur at the same time. Revenue from the sale of goods is recognised when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

(i) Sale of goods

The Company manufactures and sells a range of steel products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The steel is often sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Rendering of services

In addition to the sale of steel, the Company provides the following post-sale services which have been identified as distinct performance obligation under IFRS 15:

1) Bill and Hold Arrangements

A bill and hold arrangement arises when a customer is invoiced for steel that are ready for delivery but are not shipped to the customer until a later date. These sales are recognised when the following criteria are met:

a. the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
b. the product must be identified separately as belonging to the customer;
c. the product currently must be ready for physical transfer to the customer; and
d. the entity cannot have the ability to use the product or to direct it to another customer.

Any significant custodial element included in the sales price should be separately recognised over the term of the holding period. On assessment of this requirement, the Company has noted that the effect was immaterial, and no adjustment is required.

2) Shipping and Handling Activity

Some shipping arrangements result in the Company incurring the costs to deliver goods to the named port of destination (which include insurance and freight) which are considered to be distinct performance obligations under IFRS 15 as control of the goods passes at the port of shipment but the seller still has a separate obligation to arrange and pay for the freight and/or insurance to the port of destination.
The majority of steel supply contracts will include charges in relation to shipping and handling. There may be a separate fee for shipping and handling costs or shipping and handling might be implicit in the price per ton of the product.

The estimated impact of the deferral of shipping revenue is not sufficiently material to warrant the business to make a regular adjustment in respect of this.

3) Hire Work (Customer Own Material Processing)

The title of ownership has passed at the point of sale, before commencing the hire work. This is therefore considered a distinct performance obligation. Hire work generally only takes a matter of days therefore any adjustment to revenue under IFRS 15 is deemed immaterial.

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

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

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

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

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

(f) Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. The detailed accounting treatment for such items can differ, as described in the following sections:

(i) Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(ii) Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

(iii) Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

(iv) Derivative financial instruments and hedge accounting

In the ordinary course of business, the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to 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 Company 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.

(v) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

(g) Other intangible assets

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

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

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

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

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

(h) Leases

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

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

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

(i) Inventories

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

(j) Cash and cash equivalents

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

(k) Equity

Share capital: Ordinary shares are classified as equity.

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

Notes to the accounts

1. Revenue

	2019 €m	2018 €m
Revenue by destination:		
Netherlands	**795**	833
Europe excluding the Netherlands	**2,747**	2,670
North America	**611**	492
Rest of the world	**331**	219
	4,484	4,214

2. Operating costs

	2019 €m	2018 €m
Costs by type:		
Raw materials and consumables	**2,087**	2,062
Maintenance costs (excluding own labour)	**323**	307
Other external charges (including fuels and utilities, hire charges and carriage costs)	**529**	509
Employment costs (Note 4)	**759**	700
Depreciation, amortisation and impairment (Note 7,8)	**194**	182
Regional development and other grants released (Note 19)	**(1)**	(2)
Other operating items (including rents, rates, insurance and general expenses)	**351**	312
Changes in stock of finished goods and work in progress	**9**	(35)
Own work capitalised	**(43)**	(40)
Profit on Sale of Fixed Assets	**(20)**	-
Profit on share buy-back (Note 9)	**-**	(3)
	4,188	3,992

The above costs include €5m (2018: €1m) in respect of restructuring, impairment and disposals which relate to Depreciation and amortisation. Further analysis of restructuring and impairment costs is presented in Note 3.

	2019 €m	2018 €m
The above costs are stated after including:		
Amortisation of other intangible fixed assets (Note 7)	**10**	9
Depreciation of owned assets (Note 8)	**174**	166
Impairment losses relate to other intangible fixed assets (Note 3)	**1**	-
Impairment losses related to property, plant and equipment (Note 3)	**4**	1
Depreciation of assets held under finance leases (Note 8)	**5**	6
Operating leases:		
Plant and machinery	**7**	9
Leasehold property	**9**	9
Costs of research and development (gross)	**41**	38
Impairments against trade receivables (Note 12)	**2**	1
Emission rights deficit	**22**	20

3. Restructuring and impairment costs

	2019 €m	2018 €m
Provision for restructuring and related measures:		
Impairment losses related to intangible fixed assets (Note 7)	**1**	-
Impairment losses related to property, plant and equipment (Note 8)	**4**	1
	5	1

4. Employees

	2019 €m	2018 €m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**601**	559
Social security costs	**78**	67
Pension costs	**80**	74
	759	700

The average number of the Company's active employees was 8,229 (2018: 7,981). All employees are located in the Netherlands. The analysis of the headcount by business is: Strip Products MLE 7,218, Packaging IJmuiden 1,002 and other 9.

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

	2019 €m	2018 €m
Defined contribution scheme	**80**	74
	80	74

5. Financing items

	2019 €m	2018 €m
Finance costs		
Interest expense: Finance leases	**(2)**	(2)
Interest expense: Other Borrowings	**(2)**	(2)
	(4)	(4)
Finance income		
Interest received	**2**	1
Dividends received	**9**	3
	11	4
	7	-

6. Taxation

	2019 €m	2018 €m
Corporation tax	**78**	48
Prior year charge	**2**	-
Current tax	**80**	48
Deferred tax (credit)/charge	**(5)**	5
Prior year deferred tax charge	**-**	22
Taxation	**75**	75

In addition to the total taxation charged to the income statement, a tax charge of €4m (2018: a credit of €5m) was recognised directly in other comprehensive income in the year.

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

The total charge for the year can be reconciled as follows:	2019 €m	2018 €m
Profit before taxation	**303**	222
Profit before taxation multiplied by the applicable corporation tax rate of 25.0% (2018: 25.0%)	**76**	55
Effects of:		
Adjustments in respect of prior periods	**2**	22
Non-taxable income	**-**	(4)
Other differences	**(3)**	2
Total taxation	**75**	75

7. Intangible assets

2019	Computer software €m	Development costs €m	Emission rights €m	Total €m
Cost at beginning of period	80	38	42	**160**
Additions	24	-	-	**24**
Disposals	-	-	(18)	**(18)**
Cost at end of period	104	38	24	**166**
Amortisation at beginning of period	29	31	-	**60**
Charge for the period	6	4	-	**10**
Impairment charge for the period	1	-	-	**1**
Amortisation at end of the period	36	35	-	**71**
Net book value at end of the period	68	3	24	**95**

2018	Computer software €m	Development costs €m	Emission rights €m	Total €m
Cost at beginning of period	61	38	51	**150**
Additions	19	-	-	**19**
Disposals	-	-	(9)	**(9)**
Cost at end of period	80	38	42	**160**
Amortisation at beginning of period	25	26	-	**51**
Charge for the period	4	5	-	**9**
Amortisation at end of the period	29	31	-	**60**
Net book value at end of the period	51	7	42	**100**

8. Property, plant and equipment

2019	Land and buildings €m	Plant and machinery €m	Assets under construction €m	**Total €m**
Cost at beginning of period	759	5,874	494	**7,127**
Additions	-	65	233	**298**
Transfers	64	216	(280)	**-**
Disposals	-	(52)	-	**(52)**
Cost at end of period	823	6,103	447	**7,373**
Depreciation at beginning of period	630	4,852	23	**5,505**
Charge for the period	11	168	-	**179**
Impairment charge for the period	-	4	-	**4**
Transfers	-	23	(23)	**-**
Disposals	-	(37)	-	**(37)**
Depreciation at end of period	641	5,010	-	**5,651**
Net book value at end of period	182	1,093	447	**1,722**

2018	Land and buildings €m	Plant and machinery €m	Assets under construction €m	Total €m
Cost at beginning of period	752	5,703	398	**6,853**
Additions	1	49	267	**317**
Transfers	6	165	(171)	**-**
Disposals	-	(43)	-	**(43)**
Cost at end of period	759	5,874	494	**7,127**
Depreciation at beginning of period	619	4,722	23	**5,364**
Charge for the period	11	161	-	**172**
Impairment charge for the period	-	1	-	**1**
Disposals	-	(32)	-	**(32)**
Depreciation at end of period	630	4,852	23	**5,505**
Net book value at end of period	129	1,022	471	**1,622**

Property, plant and equipment was tested for impairment at 31 March 2019 where indicators of impairment existed. The outcome of this test indicated that no impairment was required in TSIJ. The value in use was calculated on a CGU basis and determined using a discount rate of 8.2% (2018: 8.2%).

The **€**4m impairment charge in 2019 relates to specific assets. The **€**1m impairment charge in 2018 relates to specific assets within the IJmuiden site that were damaged during a fire.

(i)

	2019 €m	2018 €m
The net book value of plant and machinery comprises:		
Assets held under finance leases:		
Cost	**104**	102
Accumulated depreciation	**(83)**	(78)
	21	24
Owned assets	**1,072**	998
	1,093	1,022

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9. Investments in subsidiaries, joint ventures and associates

	Investments in subsidiaries €m	Investments in joint ventures €m	Investments in associates €m	**Total 2019 €m**	Total 2018 €m
Carrying value at beginning of period	44	12	8	**64**	67
Additions	2	-	-	**2**	-
Share buy-back	-	-	-	**-**	(3)
Carrying value at end of period	46	12	8	**66**	64

(i) In 2019 Tata steel Ijmuiden BV invested €2m into its 100% owned subsidiary Naantali Steel Service Centre OY.

(ii) The Company's main subsidiaries and investments are listed in Note 25.

10. Inventories

	2019 €m	2018 €m
Raw materials and consumables	**274**	265
Work in progress	**205**	227
Finished goods and goods for resale	**300**	287
	779	779

The value of inventories above is stated after impairment of €7m (2018: €9m) for obsolescence and write-downs to net realisable value.

11. Current tax

	2019 €m	2018 €m
Dutch corporation tax assets	**1**	5
Dutch corporation tax liabilities	**(132)**	(89)
	(131)	(84)

12. Trade and other receivables

	2019 €m	2018 €m
Trade receivables	**360**	327
Less provision for impairment of receivables	**(4)**	(4)
	356	323
Amounts owed by parent undertakings (Note 24)	**4**	5
Amounts owed by other Tata Steel companies (Note 24)	**445**	272
Amounts owed by subsidiary undertakings (Note 24)	**11**	14
Amounts owed by joint ventures (Note 24)	**13**	8
Amounts owed by associates (Note 24)	**1**	9
Derivative financial instruments (Note 16)	**23**	14
Other taxation	**7**	7
Prepayments	**25**	38
Other receivables	**23**	19
	908	709

(i) Trade receivables are further analysed as follows:

31 March 2019	**Gross amount €m**	**Subject to credit insurance cover €m**	**Impairment provision made €m**	**Net credit risk amount €m**
Trade receivables:				
Amounts not yet due	**335**	**(323)**	**-**	**12**
One month overdue	**12**	**(10)**	**-**	**2**
Two months overdue	**2**	**(2)**	**-**	**-**
Three months overdue	**1**	**(1)**	**-**	**-**
Greater than three months overdue	**10**	**(2)**	**(4)**	**4**
	360	**(338)**	**(4)**	**18**

31 March 2018	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount €m
Trade receivables:				
Amounts not yet due	308	(299)	-	9
One month overdue	6	(4)	-	2
Two months overdue	2	(2)	-	-
Three months overdue	6	(6)	-	-
Greater than three months overdue	5	(1)	(4)	-
	327	(312)	(4)	11

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

	2019 €m	2018 €m
At beginning of period	**4**	3
Impairments in the period	**2**	1
Amounts utilised and other movements	**(2)**	-
At end of period	**4**	4

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

	2019 €m	2018 €m
Short-term deposits with TSN	**240**	**103**
Cash at bank and in hand	**47**	**151**
Cash and other short-term deposits	**287**	**254**

	2019			2018		
	Short-term deposits €m	**Cash €m**	**Total €m**	Short-term deposits €m	Cash €m	Total €m
Sterling	**-**	**6**	**6**	-	-	-
Euros	**240**	**117**	**357**	103	156	259
US dollars	**-**	**(76)**	**(76)**	-	(6)	(6)
Other currencies	**-**	**-**	**-**	-	1	1
	240	**47**	**287**	103	151	254

Short-term deposits are highly liquid investments with original maturities of three months or less. The effective interest rate on short-term deposits was 0.0% (2018: 0.0%).

14. Trade and other payables

	2019 €m	2018 €m
Trade payables	**384**	387
Amounts owed to parent undertakings (Note 24)	**17**	15
Amounts owed to other Tata Steel companies (Note 24)	**46**	47
Amounts owed to subsidiary undertakings (Note 24)	**6**	5
Amounts owed to associates (Note 24)	**3**	3
Other taxation	**24**	7
Capital expenditure creditors	**107**	93
Derivative financial instruments (Note 16)	**11**	19
Advances from customers	**-**	7
Other payables	**279**	290
	877	873

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

15. Borrowings

	2019 €m	2018 €m
Current:		
Other short term loans	**7**	19
Obligations under finance leases	**6**	6
	13	25

	2019 €m	2018 €m
Non-current:		
Obligations under finance leases	**46**	26
	46	26
Total borrowings	**59**	51

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

	2019			2018		
	Fixed rate borrowings €m	**Zero rate borrowings €m**	**Total €m**	Fixed rate borrowings €m	Zero rate borrowings €m	Total €m
Euros	**52**	**7**	**59**	51	-	51

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

	2019		2018	
	Weighted average fixed interest rate %	**Weighted average time for which rate is fixed Years**	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Euros	**5.2**	**4.9**	5.7	3.7

(ii) The maturity of borrowings is as follows:

	2019 €m	2018 €m
In one year or less or on demand	**16**	26
Between one and two years	**8**	6
Between two and three years	**7**	4
Between three and four years	**7**	4
Between four and five years	**6**	3
More than five years	**31**	19
	75	62
Less: amounts representing interest in future minimum lease payments	**(16)**	(11)
	59	51
Amounts falling due within one year	**13**	25
Amounts falling due after more than one year	**46**	26

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2019 €m	2018 €m	**2019 €m**	2018 €m
Not later than one year	**9**	7	**6**	6
Later than one year but not more than five years	**28**	17	**19**	11
More than five years	**31**	19	**27**	15
	68	43	**52**	32
Less: future finance charges on finance leases	**(16)**	(11)	**-**	-
Present value of finance lease liabilities	**52**	32	**52**	32

16. Financial instruments and risk management

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

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

	2019 €m	2018 €m
Financial assets		
Trade and other receivables (Note 12) 1	**853**	650
Cash and cash equivalents (Note 13)	**287**	254
	1,140	904
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (Note 14) 2	**(842)**	(840)
Current borrowings (Note 15)	**(13)**	(25)
Non-current borrowings (Note 15)	**(46)**	(26)
	(901)	(891)
	239	13

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

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

(ii) Fair value measurements recognised in the balance sheet

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

2019	Level 1 €m	Level 2 €m	Level 3 €m	**Total €m**
Financial assets at fair value through other comprehensive income:				
Commodity contracts	**-**	**6**	**-**	**6**
Forward foreign currency contracts	**-**	**17**	**-**	**17**
	-	**23**	**-**	**23**
Financial liabilities at fair value through other comprehensive income:				
Forward foreign currency contracts	**-**	**(11)**	**-**	**(11)**
	-	**(11)**	**-**	**(11)**

2018	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets at fair value through other comprehensive income:				
Commodity contracts	-	2	-	2
Forward foreign currency contracts	-	12	-	12
	-	14	-	14
Financial liabilities at fair value through other comprehensive income:				
Commodity contracts	-	(1)	-	(1)
Forward foreign currency contracts	-	(18)	-	(18)
	-	(19)	-	(19)

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

(iii) Financial risk management and financial instruments

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

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

(a) Market risk: foreign exchange risk and management
It is the policy of the Company that substantially all the net currency transaction exposures arising from contracted sales and purchases are hedged by selling or purchasing foreign currency forwards. At 31 March 2019, the notional amount of outstanding foreign currency contracts was €2,153m (2018: €2,370m) with a net fair value of €6m (2018: €(7)m).

At 31 March 2019, a 10% appreciation of the euro against the US dollar would decrease the net assets of the Company by approximately €3m (2018: €5m), decrease equity by approximately €3m (2018: €5m) and have no impact on the operating profit (2018: no impact). The sensitivity analysis has been based on the composition of the dollar denominated financial assets and liabilities of the Company at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in debt and financial lease obligations, which do not present a material exposure.

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

(b) Market risk: commodity risk and management
The Company makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Forward purchases are made of zinc and tin to cover sales contracts with fixed metal prices. At 31 March 2019, the Company had commodity contracts with a total notional value of €57m (2018: €71m) and a net fair value of €6m (2018: €1m).

At 31 March 2019, a 10% appreciation of market prices would decrease the Company's equity by approximately €5m (2018: €5m). There was no significant market risk relating to the income statement since the majority of commodity derivatives are treated as cash flow hedges with movements being reflected in equity and the timing and recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

(c) Market risk: interest rate risk and management
The financial structure of the Company is conservative with the only borrowings in the Company being finance leases and short term loans from Group companies. During 2019 and 2018, the Company's borrowings were denominated in euro. The Company did not enter into interest rate swap contracts or forward rate agreements.

On 31 March 2019 the Company had fixed rate borrowings of €59m (31 March 2018: €51m) and floating rate borrowings of €nil (31 March 2018: €nil). The Company had short term deposits of €240m on 31 March 2019 (on 31 March 2018: €103m). If at 31

March 2019 the interest rate would have been 100 bps higher/lower, with all other variables held constant, profit after taxes and cash flow would have shown no material change (2018: €2m).

For further details of the borrowings, such as maturity and interest rates, see Note 15.

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

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

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

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

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

	Maturity of contractual undiscounted cash flows			
2019	**Contractual cash flows €m**	**In one year or less or on demand €m**	**Between one and five years €m**	**More than five years €m**
Non-derivative financial liabilities				
Trade and other payables [1]	**(842)**	**(842)**	**-**	**-**
Borrowings				
Repayment	**(59)**	**(13)**	**(19)**	**(27)**
Fixed interest	**(16)**	**(3)**	**(9)**	**(4)**
	(917)	**(858)**	**(28)**	**(31)**
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	**(2,143)**	**(2,143)**	**-**	**-**
Receivables	**2,136**	**2,136**	**-**	**-**
Derivatives commodities: net settlement	**6**	**6**	**-**	**-**
	(1)	**(1)**	**-**	**-**
Total	**(918)**	**(859)**	**(28)**	**(31)**

1 Excludes other taxation, advances from customers and derivatives

2018	Contractual cash flows €m	In one year or less on demand €m	Between one and five years €m	More than five years €m
	Maturity of contractual undiscounted cash flows			
Non-derivative financial liabilities				
Trade and other payables 1	(840)	(840)	-	-
Borrowings				
Repayment	(51)	(25)	(11)	(15)
Fixed interest	(11)	(2)	(5)	(4)
	(902)	(867)	(16)	(19)
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	(2,378)	(2,378)	-	-
Receivables	2,385	2,385	-	-
Derivatives commodities: net settlement	1	1	-	-
	8	8	-	-
Total	(894)	(859)	(16)	(19)

1 Excludes other taxation, advances from customers and derivatives

The forex derivatives outflow includes €1,785m from liabilities (2018: €1,730m); the inflow includes €1,768m from liabilities (2018: €1,719m).

(iv) Derivative financial instruments

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

	2019		2018	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	**6**	**-**	2	(1)
Forward foreign currency contracts	**17**	**(11)**	12	(18)
	23	**(11)**	14	(19)

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

2019	**Forward foreign currency contracts €m**	**Commodity contracts €m**	**Taxation €m**	**Total €m**
Cash flow hedge reserve net of taxation at beginning of period	**(8)**	**4**	**1**	**(3)**
Fair value recognised	**15**	**3**	**(4)**	**14**
Cash flow hedge reserve net of taxation at end of period	**7**	**7**	**(3)**	**11**

2018	**Forward foreign currency contracts €m**	**Commodity contracts €m**	**Taxation €m**	**Total €m**
Cash flow hedge reserve net of taxation at beginning of period	14	1	(4)	11
Fair value recognised	(22)	3	5	(14)
Cash flow hedge reserve net of taxation at end of period	(8)	4	1	(3)

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

	2019 €m	2018 €m
Commodity contracts	**57**	71
Forward foreign currency contracts	**2,153**	2,370

During the year, no significant ineffectiveness on cash flow hedges was recognised in profit and loss (2018: €nil).

17. Provisions for liabilities and charges

	Environmental provisions €m	Employee benefits €m	Other provisions €m	**Total 2019 €m**	Total 2018 €m
At beginning of period	26	69	**-**	**95**	88
Charged to income statement	19	8	**2**	**29**	8
Released to income statement	-	(2)	**-**	**(2)**	(1)
Reclassification	22	-	**-**	**22**	-
Utilised during the period	(19)	-	**-**	**(19)**	-
At end of period	48	75	**2**	**125**	95
Analysed as:					
Current liabilities	25	5	**2**	**32**	6
Non-current liabilities	23	70	**-**	**93**	89

(i) Environmental provisions consist of remediation and clean-up activities that need to be undertaken in the foreseeable future and of which the costs can reasonably be estimated, together with provisions for CO_2 emission rights. Reclassification relates to CO_2 emission rights included within 'Other payables' in FY18.

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

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

18. Deferred tax

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

	2019 €m	2018 €m
Deferred tax asset	**9**	8
	9	8

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

2019	Accelerated tax depreciation €m	Stocks €m	Provisions €m	Other €m	**Total €m**
At beginning of period	1	2	4	1	**8**
Credited to income statement	6	-	-	(1)	**5**
Charged to other comprehensive income	-	-	-	(4)	**(4)**
At end of period	7	2	4	(4)	**9**

2018	Accelerated tax depreciation €m	Stocks €m	Provisions €m	Other €m	Total €m
At beginning of period	4	5	12	9	30
Charged to income statement	(3)	(3)	(8)	(13)	(27)
Credited to other comprehensive income	-	-	-	5	5
At end of period	1	2	4	1	8

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

19. Deferred income

	2019 €m	2018 €m
At beginning of year	**7**	9
Released to income statement	**(1)**	(2)
At end of year	**6**	7

20. Called up share capital

The authorised share capital of the Company as at 31 March 2019 amounts to €225,000,000 (31 March 2018: €225,000,000) and consists of 500,000 ordinary shares of each €450 (31 March 2018: €450). As of 31 March 2019, 250,000 ordinary shares of €450 each were issued and fully paid up, totalling to a nominal value of €112,500,000 (31 March 2018: €112,500,000).

21. Future capital expenditure

	2019 €m	2018 €m
Contracted but not provided for	**291**	217
Authorised but contracts not yet placed	**48**	207

22. Operating leases

	2019 €m	2018 €m
Future minimum lease payments for the Company at the end of the year are:		
Not later than one year	**27**	15
Later than one year and not later than five years	**64**	19
More than five years	**1**	3
	92	37

23. Contingencies

	2019 €m	2018 €m
Guarantees and securities	**8**	8

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

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

24. Related party transactions

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

	2019 €m	2018 €m
Amounts reported within the income statement:		
Sales to joint ventures	**98**	84
Sales to associates	**148**	211
Sales to other Tata Steel companies	**1,241**	1,142
Purchases from associates	**36**	48
Purchases of raw materials from other Tata Steel companies, acting as an agent	**1,225**	1,228
Other purchases from other Tata Steel group companies	**135**	116
Net recharges from other Tata Steel companies	**78**	76
Amounts owed by parent undertakings (Note 12)	**4**	5
Amounts owed by other Tata Steel companies (Note 12)	**445**	272
Amounts owed by subsidiary undertakings (Note 12)	**11**	14
Amounts owed by joint ventures (Note 12)	**13**	8
Amounts owed by associates (Note 12)	**1**	9
Amounts owed to parent undertakings (Note 14)	**17**	15
Amounts owed to other Tata Steel companies (Note 14)	**46**	47
Amounts owed to subsidiary undertakings (Note 14)	**6**	5
Amounts owed to associates (Note 14)	**3**	3

Details of transactions with key management personnel are given in ‘Further notes to and signing of the annual accounts’ on page 37.

25. Subsidiaries and investments

The subsidiary undertakings, joint ventures, joint operations and associates of the Company at 31 March 2019 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation except where otherwise stated.

Subsidiary undertakings

Steel producing, further processing or related activities:

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

Finland
Naantali Steel Service Centre OY

Sweden
Halmstad Steel Service Centre AB

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

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

Joint ventures, joint operations and associates

	Classification	Products	2019 Turnover €m		Issued capital Number of shares	% held
The Netherlands						
GietWalsOnderhoudCombinatie B.V.	Associate	Maintenance of parts of direct sheet plant	12	Shares of €454	100	50
Hoogovens Court Roll Surface Technologies VOF	Joint Operation	Processing chrome deposit on rolls	4	-	-	50
Laura Metaal Holding B.V.	Joint Venture	Trading and processing of non-prime metal	142	Shares of €454	5,600	49
Wupperman Staal Nederland B.V.	Associate	Purchase, process, refine and sale of steel products and other metal products	328	Shares of €1,000	8,000	30
Norway						
Norsk Stal Tynnplater AS	Joint Venture	Processing of strip and long products	64	Shares of NOK1,000	26,500	50

Further notes to and signing of the Annual Accounts

Remuneration of and loans to members of the Board of Directors

An amount of €1,797,560 was borne by the Company in the 12 months to 31 March 2019 for remuneration of the current and former members of the Board of Directors of Tata Steel IJmuiden B.V. (12 months to 31 March 2018: €1,951,562).

The amounts of loans granted as at 31 March 2019 totalled €nil (31 March 2018: €nil).

Appropriation of the result for the financial year 2019
We propose to add the profit of €228m over the financial year to the Retained earnings. In anticipation of the formal approval by the General Meeting of Shareholders this has already been reflected in these financial statements.

Signing of Annual Accounts

All the members of the Board of Directors have signed the 2019 Annual Accounts of Tata Steel IJmuiden B.V.

Board of Directors

Th.J. Henrar, Chairman

J.E. van Dort

J. van den Berg

IJmuiden, 25 July 2019

C. Other Information

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

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

D. Independent auditor’s report

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

REPORT ON THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2019 INCLUDED IN THE ANNUAL ACCOUNTS