TATA STEEL

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Tata Steel Europe Limited
Report & Accounts 2022

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A1. Group's business

Introduction

The directors have pleasure in presenting their Strategic Report together with the audited consolidated accounts of Tata Steel Europe Limited ('TSE' or the 'Company'), and its consolidated subsidiary companies (the 'Group'), for the year ended 31 March 2022.

Ownership

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

Principal activities

The principal activities of the Group in 2021/22 comprised the manufacture and sale of steel products throughout the world. The Group's operations produced carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the Netherlands at IJmuiden and in the UK at Port Talbot. During 2021/22 these plants produced 10.1mt of liquid steel (2020/21: 9.6mt) with the higher level of production during the year due to the impact of the COVID-19 pandemic and resulting demand reductions in the prior year. During the year 6.6mt of liquid steel was produced at IJmuiden (2020/21: 6.2mt) and 3.5mt was produced at Port Talbot (2020/21: 3.4mt).

The Group has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for the distribution and further processing of steel products. Principal end user markets for the Group's steel products are engineering, construction, automotive, retail and packaging.

Further information on TSE can be obtained from either the company's website (www.tatasteeleurope.com) and/or the TSL 2021/22 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

Through the first half of the year, TSE progressed with its plans to separate its businesses centred in the UK and the Netherlands into two 'Value Chains', with their own governance structures to allow each business to pursue different strategic paths and give them greater agility and management focus, while still benefiting from operating together under the Tata Steel brand and offering a coordinated approach to customers and suppliers. Following consultation, this organisational change (known as 'Separation') took effect from 1 October 2021 and created two businesses, one centred on the UK but also including manufacturing assets in Sweden and Norway as well as certain international sales offices (together 'the UK Business') and the other centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business'). Since 1 October 2021, the governance arrangements of TSE have therefore been adapted to move primary management and decision-making responsibility from the TSE group level down to the subsidiary board and management team levels, in particular TSUK for the UK Business and Tata Steel Nederland B.V. ('TSN') for the MLE Business. For further details please see page 25. Following Separation, TSE's role is to provide financial oversight and assurance in relation to the Group and to support where necessary effective co-ordination between the two 'Value Chains'. While Separation occurred midway through 2021/22, this Strategic Report has continued to be prepared on a TSE Group basis with references to the combined Group as a whole. Where appropriate, the report will distinguish between reporting applicable to the UK or MLE Business.

During the year Tata Steel announced plans to pursue a fully sustainable future for its steelworks in IJmuiden by adopting a hydrogen route which would involve the introduction of direct reduced iron (DRI) technology which can make iron using natural gas or hydrogen before it is converted to steel in one or more electric furnaces to be invested in the future. In the UK Tata Steel continues to have discussions with the UK government to seek support for the transition to low-carbon steelmaking, which is a vital part of securing a long-term sustainable future for the business. For further details of TSE's decarbonisation ambitions please see page 14.

A2. Principal risks and uncertainties

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

Risks	Mitigating factors
Health, safety, environmental and other compliance matters	
TSE's priority at all times is the health, safety and wellbeing of staff and contractors. Available capital expenditure funding is therefore prioritised to this area. The Group has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the TSUK and TSN boards to continuously improve health and safety performance, enforce compliance and to minimise the impact of the Group's operations on the environment. The Group's businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety, the environment and regulatory compliance in the countries in which it operates. The risk of substantial costs, liabilities and damage to reputation related to these laws and regulations are an inherent part of the Group's business. Improving environmental performance and its linkage to "license to operate" is a key focus of the Group. The "license to operate" of the Group depends on the balance which its businesses achieve between the value of their products and services to society, the jobs they create, their contributions to communities and local economies, and their environmental footprint. Environmental issues, such as dust emissions in the vicinity of the Group's manufacturing sites, are key areas of concern for local communities which may negatively harm the "licence to operate" of its businesses.	TSE deploys a positive culture of managing safety, health and environmental ('SHE') risks. This includes the escalation of these risks to a TSL SHE Committee. A key area of focus for TSE's operations and procurement is to minimise environmental impacts by selecting raw materials on its environmental credentials (as well as quality) in order to minimise landfill tonnages and to identify external opportunities for use/sale of by-products. The Group continues to engage with EU legislators to secure a level playing field, for example in areas such as the REACH (Registration, Evaluation, Authorisation & restriction of Chemicals) scheme. The disparities in legislation across steel producers in different countries reinforce the continued need to build brand reputation and customer loyalty. The Group is increasing its contact with local communities closest to its manufacturing operations to explain the measures taken by the Group to reduce emissions and avoid environmental nuisance and to listen to their main concerns regarding the Group's steel making activities.
Our workforce	
In October 2021, TSE made the decision to separate the UK and MLE businesses, incorporating proposals to transform the governance process in each business resulting in a change in organisation structure. This resulted in the removal of TSE-wide roles below director level and means that post-separation all reporting lines of individuals employed by the UK and MLE businesses are within that business. Maintaining a critical mass of engineers and other specialist functions remains a challenge within TSE due to the demand for these skills in the locations in which the business operates.	The Group remains committed to discussing any further changes in the organisation with its works councils and trade union representatives in order to ensure the workforce is part of the discussions regarding the business. Strategic collaborations continue with Technical Universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention. The long-term success and competitiveness of steel making in the EU requires the ongoing partnership with trade bodies and continuance of beneficial industrial relations in the face of future uncertainties. Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing the Group.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Climate Change	
Climate-related risks are central to the TSUK and TSN risk registers. This includes climate change-induced physical risks such as those linked to rising sea levels and extreme weather events disrupting supply chains (e.g. storms, flooding, droughts, severe winds), and transition risks which include technological, policy and market changes to adapt to a lower-carbon economy. For the steel industry, transition risks include increased unit costs within Emissions Trading Systems (both UK and EU) and a reduction in the free allocation of CO2 allowances under those schemes. There is an expectation that in the future the allocation of CO2 allowances is likely to be substantially lower than projected emissions which is likely to expose TSE to higher operating costs. In addition, steel producers in the Netherlands are subject to a Netherlands specific carbon tax which, under certain conditions, may come on top of any EU Emissions Trading Systems costs. Carbon taxes continue to absorb additional resources when compared to competitors not subject to the same legislation. One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. TSUK and TSN are working in partnership with governments on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future. Due to the significant amount of capital that would be required in order to invest in greener steelmaking, a risk remains that without sufficient government support in the countries in which TSE operates, the Group may not be able to meet long term sustainability objectives, leading to higher carbon taxes and potentially a reduction in orders from environmentally conscious customers.	Physical risks for which mitigations are in place include flood-risk management on TSE sites and resilience planning in respect of raw material suppliers declaring Force Majeure because of mine inundation or shipping delays. In the early part of 2021/22, TSUK and TSN has started to pass on costs of carbon taxes to customers in the form of an additional surcharge which will be adjusted when carbon costs change. Transparency in pricing of steel products is important and end customers and society as a whole should recognise that decarbonisation is likely to involve higher costs. Future regulatory changes, including a Carbon Border Adjustment Mechanism in the UK and EU, are required to protect European steel producers from imports from countries that are not subject to the same level of carbon taxes. TSE is supportive in principle of the EU's proposed Carbon Border Adjustment Mechanism, but care will be needed in its design if it is to have the intended effect of incentivising rapid decarbonisation amongst EU steelmakers. In September 2021, Tata Steel announced it will pursue a hydrogen route to decarbonisation at its IJmuiden steelworks. This involves the introduction of direct reduced iron (DRI) technology which can make iron using natural gas or hydrogen, before it is converted to steel in one or more electric furnaces to be invested in the future. In the UK, Tata Steel has been active for several years in exploring a number of possible options which could be used to decarbonise its operations. A number of technology options are being evaluated and detailed feasibility work on some of these step-change technology options has commenced.
Long term competitiveness	
TSE's manufacturing facilities are largely based in Europe which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world. Increasing raw material costs as well as high energy and CO2 costs challenge the long-term competitiveness of strip products. One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. Tata Steel is working in partnership with national governments on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future.	In order to maintain its ability to successfully compete in the long term the Group is undertaking a number of initiatives, including cost reduction measures and business specific improvement plans. The most significant of these initiatives is the Transformation programme, which aims to deliver operational, commercial and supply chain improvements and enable the Group's businesses to reach sustainable levels of EBITDA even in an economic downturn. As part of the Transformation programme, the Group will continue to target and grow its offering of a high value, differentiated product mix to the market.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Financing	
TSE is financed in part through external bank facilities referred to as the senior facility agreement ('SFA'). Following significant prepayments of the debt in 2021/22 the outstanding debt has reduced to €470m with repayment not due until 2025/26. The SFA facility is provided by a syndicate of international banks and provides flexibility to fund future capital expenditure schemes. TSE is committed to long term financial independence and in recent years a significant amount of debt to TSE from TSL Group companies was converted into equity or waived. Short term facilities have been put in place for the UK business with the intention being that TSUK can manage any liquidity challenges using these facilities without any support from TSL Group companies. Access to finance may be required to enable the Group's transition to a low carbon future with potential capital investments running into the billions of pounds in a potentially short space of time.	In order to effectively manage this risk, the forecast requirements of the Group continue to be closely monitored and 'downside' sensitivities are undertaken regularly to ensure the adequacy of facilities. As part of the wider TSL group, TSE has good relationships with external banks and has a proven ability to access sources of financing when required. Following repayments of debt and conversion of parent company debt to equity, the Group's balance sheet is not highly leveraged with only a small proportion of external debt. Together with the Dutch Government, TSN is working on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future. In the UK, Tata Steel continues to hold talks with the UK Government around support for its decarbonisation plans.
Trading in the global steel market	
The Group's financial performance is influenced by the global steel market and the economic climate in Europe. TSE is one of a number of European steel producers which are being squeezed between rising import pressures and a long term decline in demand, with the situation being particularly acute for producers of hot rolled flat products. The surge in imports in recent years forced TSE and other EU producers to pursue antidumping (AD) actions, investigation of unfair imports and imposition of trade remedy measures. Despite measures being in place to support EU producers, vulnerabilities remain as safeguards to manage volumes do not address prices. Furthermore, the Tariff Rate Quotas (TRQs) set a cap on imports, but at a high level which varies by product, and are based around historical EU imports, when demand was higher than today. TSE is monitoring the current status and utilisation of safeguard quotas and their impact on stabilising traditional import flows and prevention of market-disrupting import concentration. Post Brexit, TSUK is also facing a risk of an insufficient response by the new UK Trade Remedy Authority (TRA) on implementation of trade defence instruments.	The Group's commercial strategies aim to identify opportunities to focus on less import sensitive sectors/markets, product differentiation and a customer focus that will enable longer term contracts. The Group will continue to monitor and respond to the emerging legislation in the UK as it establishes a standalone regulatory environment post Brexit.

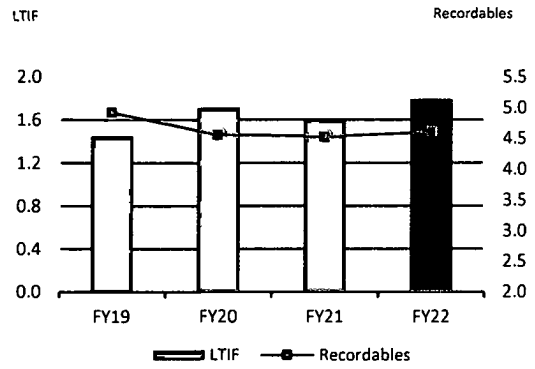
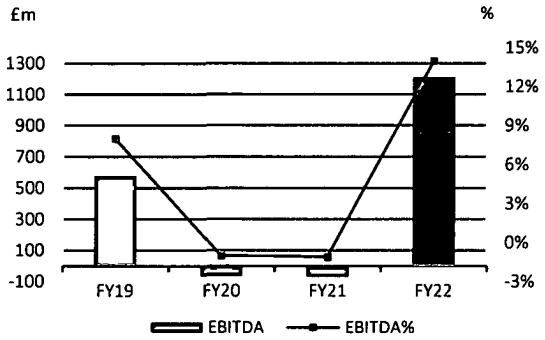
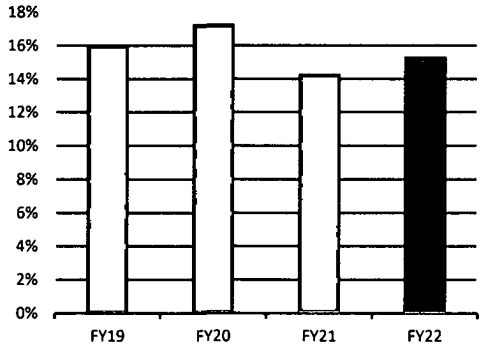
A2. Principal risks and uncertainties

Risks	Mitigating factors
Raw materials and energy	
The Group does not have access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depends, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. Exposure to raw material shortages has not been a high risk historically, though this is going to need to be managed effectively for a period of time following the impact of the COVID-19 pandemic and sanctions placed on Russia following the start of the war in Ukraine. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of the vessels if they come from high risk countries, or disruptions and restrictions in the country of origin of raw materials.	Within TSE's Transformation programme opportunities are being sought, with suppliers, to get more value out of contracts by strengthening partnerships, negotiating better payment terms and leveraging the buying power of TSL to lower costs of consumables. The workstream also investigates opportunities in the supply chain, for example by reducing inbound freight costs. Exposure to energy shortages and price increases are a very relevant risk at the moment due to disruption caused by the war in Ukraine and sanctions being placed on Russia. These risks are closely watched and extreme volatility in the market is partly mitigated by short term price hedging. In response to Russian actions in Ukraine, the Group announced in April 2022 that it has decided to end procurement of coal from Russia and to source supplies from alternative countries. In addition the Group continues to target measures to reduce it energy requirements, e.g. by increasing self-generation of electricity and efficiency improvements.
Performance and operations	
Whilst the Group seeks to increase differentiated/premium business which is less dependent on steel market price movements, it still retains focus in both the UK and Netherlands on improving its operations, consistency, and taking measures to protect against unplanned interruptions and property damage.	Best practices in asset management, enhancing technical knowledge and skills, improving process safety, targeted capital expenditure and focused risk management remain as priorities for the business.
Exchange rates	
The Group derives most of its revenue in the EU, but has substantial assets and sales in the UK. Major raw material purchases are denominated mainly in US dollars. As a result, the Group is impacted by the relationship between sterling, the Euro and the US dollar. In general, a strengthening of sterling reduces the sterling value of export revenues from the UK, it improves the relative competitiveness of steel producers in countries with weaker currencies enabling them to discount prices in the UK market, and it exposes customers to similar pressures leading to a reduction in demand for steel in the UK. In contrast, a strengthening of sterling reduces the sterling cost of the Group's raw materials, which are purchased predominantly in US dollars.	The Group operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates.

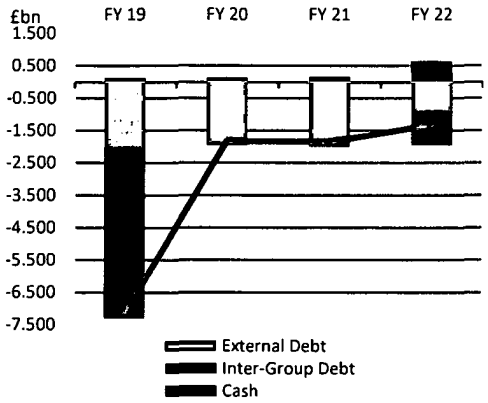
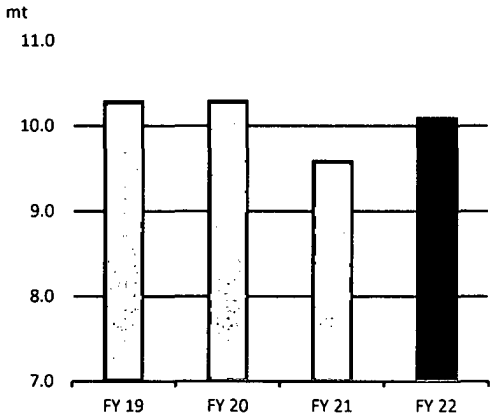
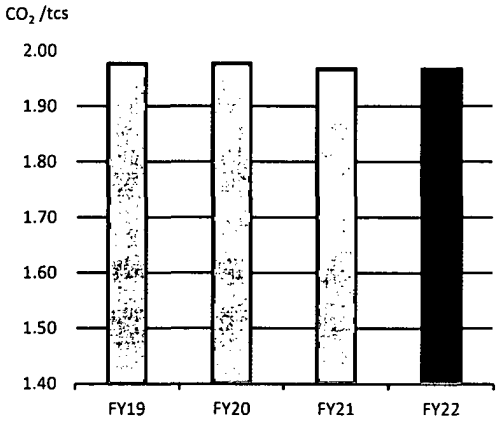
A2. Principal risks and uncertainties

Risks	Mitigating factors
Digital resilience	
The cyber environment in which TSE operates requires continuous scanning of threats and constant review of controls to prevent an increasing risk exposure, utilising new technology and maintaining existing hardware at all levels. TSE is committed to having the right cyber security standards and practices to ensure the company is equipped to defend itself from cyber incidents. The threat of cyber-attacks has continued as a genuine business risk due to large scale criminal activity targeting major businesses across all industries. TSE therefore has a focus on preventative measures to help maintain a low level of vulnerability.	Significant investment has been committed to combat the increasing global threat from cyber incidents to manufacturing companies, including continuing investment in a central Operational Security Service (including a Security Operations Centre), and both IT and process control security projects to improve resilience, manage security incidents and improve event detection. Specific focus and investment has been placed on awareness and education, protection from viruses, malicious software and external hacking, managing core network components, and contingency planning and resilience for digital business critical components.

A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments
Safety: 	• This shows the lost time injury frequency rate ('LTIF') from continuing operations to provide a basis of comparison with industry peers. The frequency rate (as with 'recordables') is reported per million hours worked as a rolling twelve-month average. • Recordables are defined as all work related incidents resulting in harm to a person or persons excluding those that require no more than first aid treatment.	• LTIF was 1.79 in 2021/22, which compares to 1.59 in 2020/21. • The recordables rate, which includes lost time injuries as well as minor injuries, rose slightly from 4.53 in 2020/21 to 4.60 in 2021/22.
EBITDA & EBITDA Margin: 	• EBITDA is defined as earnings from continuing operations before restructuring, impairments, exceptional items, profit/loss on disposals, interest, tax, depreciation and amortisation. EBITDA margin shows EBITDA as a percentage of Group revenue. • EBITDA margin measures how efficiently revenue is converted into EBITDA.	• EBITDA in 2021/22 increased to £1,209m (2020/21: £(76)m) and the EBITDA margin increased to 14% (2020/21: (1)%) due mainly to the improved steel spreads as the European steel market experienced a strong recovery from 2020/21 which was impacted by the COVID-19 pandemic. • See page 22 for a reconciliation of statutory profit to the EBITDA Alternative Performance Measure (APM).
Working capital/turnover: 	• This shows year-end working capital as a percentage of the annualised quarter 4 revenue for each relevant year. • It measures how efficiently the Group manages its raw material, steel and other inventories, and payment terms and cash flow with suppliers and customers. • It excludes the impact of arrangements with TSL group companies (see Note 34).	• The working capital to turnover ratio increased to 15.4% in 2021/22 from 14.3% in 2020/21. This is largely due to an increase in the value of inventory during the year following higher input prices.

A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments
Net Debt: 	• This shows total debt less cash and cash equivalents, and short-term investments. • It reflects the Group's overall funding position.	• Net debt at 31 March 2022 was £1,317m (2020/21: £1,853m). For further details see Note 32. • The significant decrease in net debt from 2021/21 to 2021/22 was mainly due to the higher cash position in 2021/22.
Volume Performance: 	• Liquid steel production from operations. This reflects the level of physical activity and is a key indicator of the manufacturing performance of upstream assets. • It is also a measure by which the steel industry compares the size of companies on a global scale.	• Liquid steel production was 10.1mt in 2021/22 (2020/21: 9.6mt) with the higher level of production during the current year due to the impact of the COVID-19 pandemic and resulting demand reductions in the prior year. • During the year 6.6mt of liquid steel was produced at IJmuiden (2020/21: 6.2mt) and 3.5mt at Port Talbot (2020/21: 3.4mt).
Environment: 	• The Group reports its CO2 emissions using a standardised methodology adopted by worldsteel, which enables performance benchmarking. The methodology comprises a number of different emission scopes, such as direct emissions only (Scope 1 emissions), direct emissions plus indirect emissions associated with imported electricity (Scope 1 + Scope 2) and a holistic scope which also takes account of the emissions associated with producing raw materials (Scopes 1+2+3). • The method of calculation used by worldsteel is different to the method used by the UK's Streamlined Energy & Carbon Reporting system (SECR), which is presented in accordance with UK legislation on page 18.	• The Group's weighted average emissions from its two steelmaking facilities (worldsteel Scopes 1+2+3) was 1.98 tCO2/tonne crude steel (tCO2/tcs) in 2021/22, broadly in line with that in the two previous years (2019/20: 1.98tCO2/tcs, 2020/21: 1.97tCO2/tcs). The most recent year for which the worldsteel has reported benchmark data is 2020, during which the average emissions intensity for integrated steelmaking (on a like for like basis to that reported here) was 2.33 tCO2/tcs. The Group's emissions performance is thus substantially better than the worldsteel average benchmark. The worldsteel average is based on data reported from participating companies, covering 65 intergrated steelmaking facilities (and 76% of global steel production excluding China). Note that all data presented here are based on the worldsteel method excluding credits for delivery of granulated blast furnace slag to the cement industry.

A4. Business Review

Business environment and prospects

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 TSE.

Macroeconomic environment

Economic growth recovered in all regions of the world in calendar year 2021 after the economy was strongly impacted in 2020 by the COVID-19 pandemic. The recovery was strong despite continuing supply chain issues and COVID waves. Global GDP growth increased by 5.9% (2020: -3.4%). In China GDP growth accelerated to 8.1% (2020: 2.2%). Whilst China achieved strong GDP growth of 12.7% in the first half-year of 2021, the Chinese economy decelerated sharply in the second half, recording only 4.0% growth in the fourth quarter of 2021. The deceleration was mainly due to the weak real estate market and stagnant infrastructure investment, together with continued COVID waves. The EU economy grew by 5.3% (2020: -6.1%) and the UK economy by 7.4% (2020: -9.3%). The EU and UK economies recovered as vaccination allowed a progressive opening of the economies. In the first part of 2021, the economies rebounded strongly from the recession of 2020, but GDP growth decelerated in the second half due to increasing energy prices, inflation and supply chain issues.

Steel demand and production

Global steel demand increased by 2.7% in 2021 in line with the improving macroeconomic conditions (2020: 0.5%). Demand in China decreased by -5.4% (2020: 10.4%) as growth in the construction sector slowed down. Demand in the EU28 recovered by 16.8% (2020: -11.6%). In 2021 the steel-using industries in the EU experienced a strong rebound in output, which peaked in the second quarter. The recovery of automotive was particularly strong. However, issues with the supply chain (especially shortage of semiconductors) negatively affected output in the automotive sector in the second half of the year.

In 2021 global steel production increased by 3.6% (2020: -0.1%). Steel production in China decreased by -3.1% (2020: 6.9%) and equated to 54% (2020: 57%) of global steel production. In the EU production was increased by 15.4% (2020: -12.0%) as idled blast furnaces were brought back online.

Raw materials and steel prices

The principal raw materials used in TSE's carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price for iron ore fines (China CFR 62%) increased in 2021/22 to an average of US$154/t (+$26/t). The price was particularly high in the first half of the year with an all-time high in June 2021 of US$215/t as demand from Chinese mills was strong. The hard coking coal spot price (Australia FOB) increased to an average of US$313/t (+$196/t). The price increased during the year due to a combination of strong seaborne demand from India, Japan, South Korea and Europe as industrial output improved, high demand for non-Australian coals from China and limited supply in the spot market. The price was at an all-time high of US$594/t in March due to the loss of supply from Russia as a result of the war in the Ukraine. The German benchmark scrap price (Sorte 2/8) increased to €437/t (+€196/t) compared to the previous financial year.

The price of CO2 under the EU ETS increased in 2021/22 to €65/t (+€36/t), reaching an all-time high in February 2022 at €91/t. Increasing industrial output and reforms of the EU Emissions Trading System, reducing the supply of permits, have caused the price to rise. The UK ETS also went live on 1 January 2021, replacing the UK's participation in the EU ETS. UK ETS auctions began in May 2021. The UKA's averaged £60/t in 2021 at a premium of £5/t compared to the EU ETS.

The European steel spot Hot Rolled Coil price (Germany, parity point) increased in 2021/22 to €1,055/t (+€520/t). The price increased strongly as demand for steel was high whilst supply was limited. In March 2022 the steel price was at an all-time high of €1,240/t due to the loss of supply from Ukraine and Russia.

Trade

In 2021 imports into the EU increased to 30.3Mt (2020: 22.4Mt). High margins made it profitable for exporters to sell material in the EU. In 2021 the market share of imports in the EU increased to 18.6% (2020: 16.5%). The market share of imports in the EU is at a historical high.

The EU remains a net importer of steel with net imports of 10.9Mt (imports: 30.3Mt, exports: 19.4Mt). The region became a net importer in 2015.

Prospects for 2022

For 2022 the outlook is highly uncertain due to the war in the Ukraine. The war in the Ukraine has a major impact on the EU due to its reliance on Russian energy and its geographic proximity to the conflict area. There are further downside risks from COVID virus infections, higher energy costs and rising interest rates. The World Steel Association predicts that steel demand will increase 0.4% globally. Demand in the EU28 is expected to decline by -1.3%.

Civil society advocacy

TSE's businesses continuously engage with governments at various levels and other civil society stakeholders, such as non-governmental organisations, to inform the elements of public policy and regulation relevant to the business. The objective is to help create the right conditions for a sustainable steel industry through adoption of policies which would create a level playing field with international competitors, a competitive cost base and attractive conditions for innovation and investment. TSE continues to engage civil society stakeholders on competitiveness issues, including energy prices and business property taxation.

Climate change and decarbonisation is the most significant area of engagement with civil society stakeholders at both UK and EU levels. Engagement with governments has centred on how plans for decarbonisation can be funded and ensuring he business secures the right policy environment for industrial decarbonisation.

TSUK has continued to closely monitor trade and regulatory changes and is in dialogue with the UK's Trade Remedies Authority to ensure a level playing field against unfairly priced steel imports 'dumped' into Europe and continues to make the case for the renewal of existing steel safeguards in the UK.

In the UK, Tata Steel and the wider industry is calling on the UK government to impose a 'melt and pour' clause to prevent the importation of any product made using Russian hot metal or substrate. This would remove the "loophole" allowing Russian exporters to send semi-finished steel products to other countries that can be rolled and then shipped to the UK.

Employees

Health and safety

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

In a year still overshadowed by the impact of Covid-19 pandemic the Group continued to respond with pace and with a coordinated, agile approach in order to protect the health and wellbeing of all employees and stakeholders. This resulted in those who could work from home continuing to do so, supported by the appropriate tools, systems, policies and guidelines in line with national requirements. Employees in the manufacturing processes continued to operate successfully with new social distancing rules and procedures in place. Effective communication and engagement was key to maintaining a safe and healthy working environment and to recognise the challenges to employees health, mental health, and wellbeing throughout. In the latter part of the year restrictions started to lift which allowed a return to more pre pandemic practices.

For the second year running there were no fatal injuries in the year following the two tragic fatal events in 2019 which were the first since 2010. The combined lost time injury frequency (LTIF) rate in 2021/22 for employees and contractors worsened slightly to 1.79 compared to 1.59 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, declined marginally from 4.53 in 2020/21, to 4.60 in 2021/22.

Employee numbers

At 31 March 2022 the number of employees in the Group was 20,100 which was the same as the number of employees as at 31 March 2021.

Employment policies

There are well established and effective arrangements at each business location for communication and consultation with works councils and trade union representatives to systematically provide employees with information on matters of concern to them. Well-developed policies and procedures have been operating in all parts of the Group for a considerable time for the purpose of consulting and negotiating with trade unions and some of these are being reviewed and updated with trade union representatives to reflect the creation of the separate value-chains.

A4. Business Review

As part of a trans-national, multi-cultural group, TSE's businesses are committed to providing an environment that recognises and values the differences in employee backgrounds and skills and to provide equality of opportunity for all employees and seeks to maximise the benefits available from a diverse workforce. Throughout the pandemic the Group has adapted its working practices to ensure the safety of employees and enabled large numbers of employees to work more flexibly. The Group continues to build on the learnings from this time, embedding flexibility and adaptive working as a part of supporting its diversity and inclusivity action plan.

During the year ended 31 March 2022 there was regular engagement with employee representatives of the European Works Council and across the organisation initially regarding the creation of the separate value chains with work ongoing to review and update the policies, processes and ways of working to align with this new organisational structure.

UK Steel Enterprise is the Company's subsidiary that helps the economic regeneration of communities affected by changes in the UK steel industry and it has delivered packages of support measures to a variety of businesses across all steel manufacturing regions of the UK to help support and create new job opportunities for steel communities.

UK Gender pay

In the UK, under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, employers with more than 250 employees are required to publish annually their gender pay gap information by reporting the percentage differences in pay between their male and female employees for the previous year. TSUK first published results in 2018 and again this year has published its results on the UK Government website.

Relative to national and industry statistics TSUK's gender pay gap (3.5% mean gender pay gap and 6.8% median gender pay gap) continues to be at the lower end. The Group continues to focus on steps to further enhance the diversity in its organisation because it believes having the right people in the right job is important.

Pension arrangements

The principal defined benefit pension scheme in the Group at 31 March 2022 is the British Steel Pension Scheme ('BSPS') in the UK which is closed to future accrual. This came into existence on 28 March 2018 as part of the regulated apportionment arrangement ('RAA') agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the Pension Protection Fund ('PPF'). Pension arrangements for employees in the UK are now provided by way of a defined contribution scheme.

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

Further details on these schemes are provided in Note 21.

Modern Slavery Act

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure no slavery or human trafficking is taking place within the organisation or its supply chains. The TSE Board has approved a statement setting out the measures taken by the Group during the financial year ended 31 March 2022. The statement will be issued by TSE on behalf of itself and its relevant subsidiary companies and will be published on the TSE website.

Community Engagement

Tata Steel strives to contribute to the future social wellbeing of its local communities through a Community Partnership Programme - 'Future Generations' - which makes donations and organises activities focused on education, environment, and health & wellbeing.

In the Netherlands, this includes the traditional annual Tata Steel Chess Tournament (established in 1937), which has attracted thousands of players and spectators and boosted local tourism during the off-season in January. 2022 saw a return to an in-person event (but without visitors due to COVID-19 restrictions) following the virtual event held in 2021.

TSUK partners with local sports clubs and organisations which reach out to young people and schools to improve levels of activity, healthy eating, teamwork and behaviour. The business also sponsors notable local events which promote community spirit and raise much needed funds for good causes and charities in the local area.

Sustainability & Environment

Sustainable in Every Sense

TSE has a mission to build the leading European steel business that is sustainable in every sense. Its main constituent entities, TSUK and TSN have developed strategies to deliver on this Mission, each based on the United Nation's Sustainable Development Goals. The strategies focus on being a responsible steel supplier and enabling customers to become more sustainable.

In order to strengthen its sustainability programme and to secure third party validation of its progress, the Group (through its parent company, Tata Steel Limited) became a member of ResponsibleSteel™ in 2020. This is the first globally-present sustainability standard development and certification scheme for the steel industry. Both TSUK and TSN are pursuing certification against the ResponsibleSteel™ standard for their integrated steelmaking sites at Port Talbot and IJmuiden respectively.

Recognition

The Group was successful in its application for World Steel Association (worldsteel) Sustainability Charter Membership for the period 2022 – 2024 inclusive. It was further recognised by worldsteel in April 2022 as a Sustainability Champion – making it one of only three companies to achieve this accolade in each of the five years the initiative has existed (along with Tata Steel Limited).

The Group secured a worldsteel Steelie award at its 2021 awards ceremony in the category 'Excellence in Sustainability.' This was awarded in respect of a 'Zero-carbon Logistics' programme, which is a sustainability framework focusing on TSE's outbound deliveries.

All the Group's manufacturing operations are independently certified as meeting the international environmental management system standard, ISO 14001:2015. In July 2021, Tata Steel secured re-certification of all of its products manufactured in the UK to the sustainability standard, BES6001. Certification against this standard is increasingly being specified by customers and is a stipulation within the UK Steel Charter which a wide range of private and public bodies engaged in steel procurement for UK projects have signed. In January 2022, all Tata Steel products manufactured in the Netherlands maintained certification to BES6001.

Climate Action

Commitment

Whilst steel's role in the net zero world of the future is clear, the Group recognises that the steelmaking process itself creates substantial CO_2 emissions and it is therefore committed not only to continue to innovate in the products and services of tomorrow, but also to reduce its own emissions. The Group has set out its ambition to achieve carbon neutral steelmaking by 2050 and to achieve at least a 30% reduction in CO_2 emissions by 2030 compared to 2018.

Tata Steel has been one of the leaders in global initiatives for decarbonisation of the sector and is at the forefront of two worldwide collaborations. The Mission Possible Partnership's Net Zero Steel Initiative aims to inspire an accelerated transition to net zero for the steel sector, including essential innovation, investments, policy, and procurement decisions by the broader industry value chain.

The Net Zero Steel Pathway Methodology Project has laid out the foundations for the development of robust guidelines for steelmakers that wish to make a realistic and credible commitment.

Public Policy Environment

The Dutch and UK Governments have sought to take leadership positions in global climate action. The European Commission adopted a package of proposals in July 2021 to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. This is regarded by the EU as crucial to Europe becoming the world's first climate-neutral continent by 2050. The UK Government has already legislated for net zero by 2050 and in early 2021 announced its acceptance of the recommendations of its statutory advisory committee on climate change (UKCCC) and legislate to ensure the UK achieves a 78% reduction in emissions by 2035 (compared to 1990) and that ore-based steelmaking in the UK achieves 'near-zero' emissions by 2035.

The Group is supportive of the strong leadership position on climate action that the Dutch and UK Governments have taken. It is committed to working closely with policy-makers to deliver a profoundly important contribution to the achievement of national aspirations, as evidenced by its emission reduction commitments. Yet, it cannot do this alone. Tackling climate change is an effort that concerns the whole of society and accelerating the pace of decarbonisation of the steel sector

will require a set of policy interventions that rapidly strengthen the business case for public and private investment in low-CO_2 steel.

It would be counter-productive if the cost of decarbonising The Group's steelmaking operations in the Netherlands and the UK were to give a competitive advantage to steelmakers in less carbon-constrained jurisdictions; policy measures are thus needed to enable the Group to remain competitive whilst pioneering the steel sector transition to net-zero. These measures should take the form of public procurement and product policies that incentivise the use by society of low-CO_2 steel, measures that accelerate the deployment of clean energy infrastructure and interventions that ensure steelmakers can access low-cost finance to commercialise high-risk, innovative and first-of-a-kind technologies.

In its 'Fit for 55' package of proposals brought forward in July 2021, the EU Commission introduced its proposals for a Carbon Border Adjustment Mechanism (CBAM). In mid-March 2022, the EU Council published its position on the proposal. The key points from the original proposal and the Council position give a strong indication of the likely design features for the EU CBAM. It seems likely that the CBAM will apply on imports into the EU of steel products (e.g. HRC, tubes, rail, 'structures') but not steel in more complex articles (e.g. cars, washing machines etc.). It will also apply to aluminium, cement and fertilisers. The CBAM will not apply to imports to the EU from countries demonstrating a comparable level of carbon pricing in national policy (where the production of the imported material results in a similar level of cost to a producer in that jurisdiction with a comparable efficiency level as an EU producer).

The UK Government is currently consulting on the future of carbon pricing, with the main aspects of its proposals being that it is seeking to tighten the trajectory of emissions reduction across the traded sector (i.e. those in UK Emissions Trading System (UK ETS) in line with net zero by 2050 aspirations. This would equate to ~53% reduction in emissions by 2030 compared to 2019. The UK Government has stated that it recognises the benefits of international cooperation and the need to mitigate against carbon leakage but has so-far stopped short of any firm commitments to implement a CBAM.

The Group is supportive in principle of the EU's proposed CBAM and the expression of intent by the UK Government to continue to ensure carbon leakage mitigations remain a core feature of UK ETS. Care will be needed in the design of any such mechanisms if they are to have the intended effect of incentivising rapid decarbonisation amongst EU and UK steelmakers whilst ensuring their adoption of a leadership position on climate action does not come at the expense of their competitiveness.

Decarbonisation Activities across Tata Steel Europe

In September 2021, Tata Steel announced it will pursue a hydrogen route to decarbonisation at its IJmuiden steelworks. This involves the introduction of direct reduced iron (DRI) technology which can make iron using natural gas or hydrogen, before it is converted to steel in one or more electric furnaces to be invested in the future. By choosing hydrogen as the technology to produce steel in the Netherlands, the Group is seeking to take an important strategic step in making its steel production more sustainable.

In the UK, Tata Steel has been active for several years in exploring a number of possible options which could be used to decarbonise its operations whilst meeting the needs of its customers who, whilst increasingly requiring zero-CO_2 steel supply, cannot sacrifice quality or integrity as they make and supply the very products which are needed to create the net zero future. A number of technology options are being evaluated and detailed feasibility work on some of these step-change technology options has commenced.

A final decision on the approach to be used to decarbonise operations in the UK is not just about selecting suitable technology: the Group will only be able to determine its exact path when it has more confidence that it can access the right energy supplies and infrastructure at a competitive price, agree the appropriate support from the UK Government and have a competitive regulatory environment. To this end the Group has been involved in detailed engagement with the UK and Welsh Governments on these complex themes.

Tata Steel was instrumental in the formation of the South Wales Industrial Cluster (SWIC). This region accounts for the equivalent of 16 million tonnes of CO_2 emissions per year. The collaboration allows multiple industries to come together, to share knowledge and expertise with a common goal of reaching net zero. The focus of the Group is to identify the best pathway to net zero, develop technology solutions and create the necessary future skilled workforce. Government and industry have contributed co-funding of nearly £40 million in order to achieve this aim. The Group is working with academic partners and technology providers to address a number of sustainability challenges.

CO_2 Emissions Performance and Emissions Trading

The Group met its environmental obligations for calendar year 2021, the first year of Phase 4 (2021 to 2030) of the EU Emissions Trading System (EU ETS), and the first year of the operation of the UK ETS. The allocation of CO_2-credits to its operations continued to be lower than the emitted volume in 2021, with an aggregate shortfall between free allowances and actual emissions of approximately 2.5 million tonnes of CO_2. This ongoing shortfall can be attributed to the continued application of unachievable benchmarks for the allocation of allowances to steel producers and the application of a cross sectoral correction factor to downwards adjust the free allocations to installations across all so-called carbon leakage sectors.

Dutch Carbon Tax

As part of the national CO_2-reduction plan of the Netherlands, a number of policy measures have been introduced in addition to EU ETS for both industrial and electricity generation sectors including a minimum carbon price for power generation and a carbon tax for industry, which came into effect on 1st January 2021. The carbon tax has the effect of supplementing the price of EU emissions allowances (EUA) in the EU ETS if they fall below a pre-determined and increasing annual threshold linearly from €30/tCO_2 in 2021 to €125/tCO_2 in 2030. A number of dispensation rights apply to ensure companies only pay the tax on a proportion of emissions above a defined threshold linked to ambitions of the Dutch government to achieve a 49% reduction in CO_2 by 2030 (compared to 1990) and to the EU-ETS benchmarks. In light of the strength of the EUA price since 1st January 2021, the carbon tax has not to date kicked-in as far as TSN's activities are concerned.

Product innovation

Decarbonisation of its operations is only a part of the positive contribution that the Group is making, as its products are also part of the solution to climate change. Steel is a fundamental material for a low-carbon economy. Steel will be needed for renewable energy, low-CO_2 transportation, and infrastructure schemes for large-scale hydrogen production and distribution, and carbon capture, usage & storage. It will be needed to build and power the electric vehicles of tomorrow, as well as creating sustainable buildings and delivering major infrastructure projects which will help The Netherlands and the UK achieve their net zero goals.

CO_2 emissions in steel production can be offset by reductions in direct and indirect emissions through the life-cycle of steel products, achieved through effective product development and design, and through recycling at end-of-life. The Group has developed a tool to assess the sustainability of all new products against the products they replace, in a semi-quantitative manner. The Sustainability Assessment Profiler is a unique framework supporting the company's mission to become sustainable in every sense, creates value propositions related to sustainability and supports customer engagement. The framework considers environmental, social and economic aspects over the complete product life cycle in a consistent manner in an approach that puts the Group ahead of other international steel companies.

Transparency & Disclosure

The Group is committed to open communication of its carbon emissions and climate action. In 2021 it again provided a comprehensive disclosure as part of a consolidated Tata Steel Group annual submission to CDP (formerly Carbon Disclosure Project). Tata Steel attained a rating of B, putting it amongst the best performing of the steel companies reporting to CDP.

Increasingly, the Group is working closely with customers in all market sectors on all aspects of sustainability. Its knowledge and transparency about the performance of its products allows customers to understand the sustainability of steel applications, enabling them in turn to develop their approach to material usage and meet their environmental goals.

Life cycle assessment

Life cycle assessment (LCA) is a powerful tool for identifying opportunities to reduce the environmental impact of a product – whether that is a building, a vehicle, a piece of machinery or packaging – throughout its life cycle. Tata Steel is widely recognised for its expertise in LCA. Taking a supply chain perspective allows us to demonstrate how improvements in material utilisation and right-first-time manufacturing can reduce emissions during the production phase. Tata Steel's LCA models allow it to consider the complete value chain, for instance, the impact of the carbon intensity of regional grid electricity (gCO_2 / kWh) on the carbon footprint of a vehicle or building.

In the automotive sector, lightweighting remains a key lever for reducing the CO2 emissions of vehicles in their use-phase. LCA can be used to demonstrate how embodied CO2 derived

from the manufacture of advanced and ultra-high strength steel can be offset by downgauging parts to make them lighter. Savings in mass means CO2 savings: less material is required to manufacture the vehicle and a lighter vehicle produces fewer emissions in use.

In construction, the Group has been supplying life cycle data on its building envelope products for 15 years, publishing environmental declarations for our supply chain partners' cladding systems that use our Colorcoat HPS200 Ultra® or Colorcoat Prisma® prefinished steel. Work in this area has been recognised with four worldsteel awards for Excellence in LCA.

Tata Steel was the world's first steel manufacturer to operate an Environmental Product Declaration (EPD) programme and can produce product-specific EPDs that comply with EN 15804 and ISO 14025 standards and which are third-party validated. An EPD contains a description of the manufacturing route and a technical description of the product. Along with quantified environmental information, it covers specific aspects of the product life cycle, from raw material extraction, manufacture, and fabrication through to use and end-of-life.

Environment

Environmental Policy

The Group is committed to minimising the environmental impact of its operations and its products through the adoption of sustainable practices and continuous improvement in environmental performance.

Year in Focus

In the Netherlands, public concern translated into interventions by public health bodies, environmental regulators and lawyers representing members of the public. Foundation Mobilisation for the Earth requested that the Provincial authority in the Netherlands withdraw TSN's environmental permit based on impacts relating to bio-diversity (the impact of nitrogen deposition on local habitats) and other emissions. The Province is still considering its response. In separate developments, the Dutch prosecutor announced a criminal investigation based on a prior indictment by a private law firm representing local residents and the National Institute for the Environment and Public Health (RIVM) published a report from which sections of the media found cause to criticise Tata Steel. A series of expert sessions was established between Tata Steel and RIVM, the first of these being held in February 2022.

The environmental regulator approved formally the 'Avoidance and Reduction Plan on Substances of Very High Concern' submitted previously by Tata Steel during the year, marking a notable and positive regulatory development.

Discussions remain ongoing with the relevant regulatory bodies regarding an application for a permit for enhancements at the hot rolling mill at IJmuiden. Capital investments are due to be completed by Summer 2023, with resultant reductions in emissions of CO2 and nitrogen oxides (NOx) and enhanced product quality.

In the UK, Tata Steel continued to pursue targeted investment in environmental control technology to achieve reductions in its environmental impact. In June 2021, it commissioned a new emissions control unit at the Port Talbot sinter plant after an investment of more than £20 million in new filtration systems. These are now delivering a substantially reduced level of particulate emissions. The Group is using a wide range of measures to ensure that it doesn't have an adverse impact on local air quality in Port Talbot. These are set out in an air quality management plan (AQMP) which was updated during the year.

Energy and carbon emissions reporting

Overview

In April 2019, the UK Government introduced legislation called Streamlined Energy and Carbon Reporting (SECR), which mandates that defined companies include energy and carbon emissions in their annual reports. In addition, a narrative on the principal measures taken for the purpose of increasing the business's energy efficiency is required. Both parts of the required information are provided below. No equivalent information to that required for SECR compliance in the UK has been provided for the integrated steelworks at IJmuiden in The Netherlands as foreign subsidiaries are not covered by the legislation.

Most of the carbon emissions associated with Tata Steel's UK activities occur at Port Talbot integrated steelworks, where iron ore and coal are brought together in the blast furnace process. This is already a very efficient steelworks and, although the opportunities for standard energy efficiency measures are becoming progressively smaller, the Group remains committed to making marginal gains wherever the opportunity arises to do so and continues to invest substantially in evaluating and optimising its processes.

A key process optimisation tool involved using a so-called energy efficiency 'wave' approach which systematically targeted energy efficiency opportunities at the Group's main operations around Europe and beyond. The Group has also developed MONICA, a state-of-the-art monitoring and benchmarking tool for energy and CO_2 emissions from its processes.

Tata Steel is part of the UK's Energy Saving Opportunities Scheme (ESOS) and has fulfilled its obligations under this regime by delivering a rolling programme of audit and assessment. One of the biggest energy efficiency opportunities in the UK concerns the power plant at Port Talbot, where process gases from the steelworks are combusted to produce heat and power to send back to the processes. The Group successfully commissioned a new 30MWe steam turbine in June 2021, which now provides an estimated 13MWe increase in the average amount of electricity generated from the site through increased capacity and efficiency. The additional electricity generated reduces the amount of electricity taken from the national grid, equivalent to the saving of 50,000 tonnes of CO_2 per annum.

Detailed studies on a number of large schemes for waste heat recovery and fuel switching at Tata Steel's UK plants are ongoing and, where projects are unaffordable, the Group has sought to access UK Government support funds for energy efficiency under the Industrial Energy Transformation Fund to be able to realise these opportunities.

In the Netherlands, the Group has a long-term energy efficiency agreement (MEE) with the Dutch Government and remains engaged in continuous evaluation of opportunities. Under this agreement an Energy Efficiency Plan (EEP) has been developed for the IJmuiden steelworks.

At both of its steelworks, the Group is keen to investigate options to increase the amount of steel scrap it recycles alongside the fresh iron it makes in its blast furnaces. In IJmuiden it has investigated a scheme to retain as much heat as possible in liquid iron as it is transported from the blast furnaces to the steel plant, enabling it to increase the amount of scrap uses. Options are currently being evaluating for using more scrap at Port Talbot and, again, it is hoped to be able to access funding under the UK's Industrial Energy Transformation Fund to realise the identified opportunities.

The Group is engaged in a variety of collaborations with innovative companies, equipment manufacturers and academia to develop novel energy efficiency and CO_2-reduction approaches. One such collaboration is a multi-partner, European Union funded research project to demonstrate the generation of electricity using a novel waste heat recovery technology at the coke oven plant at Port Talbot steelworks.

The importance has been recognised of taking an holistic 'total cost of ownership' approach to drive the purchase of energy efficient equipment, to the extent that specific, detailed, company policies have been developed for the high-impact technologies of energy efficient lighting and motors. The quality of these documents has been recognised by the UK Carbon Trust.

GHG emissions and energy use 2021/22

	Scope	Units	UK[1]
Gaseous fuel for combustion[3]	1	kWh	9,358,335,065
Fuel for transport and business travel[2]	1	kWh	17,463,147
Purchased electricity[3]	2	kWh	827,321,158
Fuel for transport and business travel[2]	3	kWh	19,609,987
Energy consumption based on above		**kWh**	**10,222,729,357**
Emissions from gaseous fuel[3]	1	tCO_2e	5,604,695
Emissions from fuel for transport and business travel[2]	1	tCO_2e	4,655
Emissions from purchased electricity[3]	2	tCO_2e	173,870
Emissions from fuel for transport and business travel[2]	3	tCO_2e	5,334
Total gross emissions		**tCO_2e**	**5,788,553**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.655**

GHG emissions and energy use 2020/21

	Scope	Units	UK[1]
Gaseous fuel for combustion[3]	1	kWh	9,040,758,357
Fuel for transport and business travel[2]	1	kWh	14,133,296
Purchased electricity[3]	2	kWh	647,372,722
Fuel for transport and business travel[2]	3	kWh	15,742,784
Energy consumption based on above		**kWh**	**9,718,007,159**
Emissions from gaseous fuel[3]	1	tCO_2e	5,335,489
Emissions from fuel for transport and business travel[2]	1	tCO_2e	3,780
Emissions from purchased electricity[3]	2	tCO_2e	149,569
Emissions from fuel for transport and business travel[2]	3	tCO_2e	4,285
Total gross emissions		**tCO_2e**	**5,493,123**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.641**

Notes

1. The data for UK assets is based on the scope of the organisation as covered in the Financial Accounts 21/22; the derogation to exclude legal subsidiaries that did not meet the definition of "large" was applied. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the UK Emission Trading System (UK ETS). Where available, site specific conversion factors were used and where not, national government factors were used. The financial control approach (as opposed to equity split) was used to define the organisational boundaries; deductions were made for onward third party supplies. Greenhouse gas emissions are reported as CO2e but only include CO2 emissions. Figures for the UK emissions intensity are based on liquid steel output from the Port Talbot site.
2. Scope 1 was defined to include on-site vehicular re-fuelling and mileage/ fuel claims relating to fuel used in company-owned or leased (capitalised on balance sheet as per IFRS 16) vehicles, both on and off-site. Scope 3 was defined to include fuel consumption of time-chartered vessels plus mileage claims and fuel claims relating to fuel used in employee-owned vehicles off-site. Where clarity on the lease status was unavailable, the fuel was divided evenly between scopes 1 and 3. Conversion to energy and CO2 was based on factors provided by UK government. If unknown, vehicle type and fuel consumption per km, were based on national averages.
3. Only imported electricity was reported, that is, electricity generated on-site was not included; the associated emissions were included in the gaseous fuel emissions. The grid emission factor taken for the UK was 0.210 kg CO2/kWh.
4. Part of the data was subject to third party verification conforming to UK ETS rules and regulations. This covered the period April-December 2021 only and included 99.5% of the UK natural gas consumption and 100% of the consumption of works arising gases at Port Talbot.
5. The slight increase in gross emission per tonne of liquid steel since the prior year is driven by process variability with a number of operational factors contributing to the overall efficiency.

Research & development

Research & Technology programme

Following the Separation of TSE during the year, the Group's research and development activities are managed by the UK and MLE businesses.

In the MLE business, approximately 76% of the technology programme was developed under the governance of the Research Portfolio Committees ('RPCs') of TSN. The RPCs cover process and product market sector developments. The remaining capacity was primarily allocated to the Strategic Thrust programme for various projects including:

- HIsarna technology: environmentally friendly, low CO2 and economic ironmaking (at least 20% reduction without Carbon Capture and Storage (CCS), up to 80% with CCS or even negative with renewable carbon sources). Engineering for upscaling (1 mln tonnes/yr demo plant) commenced and continued in 2021/22, in close collaboration with a dedicated team in Jamshedpur, India. The Reclamet project (using HIsarna for recycling Zinc-coated steel scrap) awaits restart of the plant trials in the pilot plant. It is planned that the HIsarna pilot plant will restart early in the coming financial year which will give a boost to the activities;
- Towards Sustainable Coke Production: aims at funding opportunities to use non-fossil carbon and non-coking carbon for coke making. A smaller scale test route has already been developed and further studies are on-going;
- Steel integrated PV (Photo Voltaic) products: focus of this project shifted towards the integration of existing (lightweight) PV on TSN's steel products;
- Collaborating with various selected Universities (DENS programme) to accelerate the development of new products in combination with a fully developed small scale route (300g and 25kg) to perform small experiments to feed models that work on an operational scale (300 tonnes);
- Heat recovery: looking at various ways to recover and re-use heat that is currently lost during the production processes; and
- Various developments on the blast furnace process, including modelling and experimental testing of ceramic materials, to prolong the operating times for blast furnaces beyond current limits.

In addition, a special programme on decarbonisation has been created, in line with TSN's goal to implement a green Hydrogen route in the near future. This programme will especially address the aspect of the proposed new DRI based production route and will be there to support the shorter term preparations for the potential investments as well as for the longer term optimisation of the use of these installations.

In the UK business, the main focus has been on creating standalone research and development capability following Separation. This has included:

- The successful set up of characterisation capabilities at Swansea and Warwick universities for customer support;
- The launch of High Value Manufacturing Catapult Programme along with Warwick Manufacturing Group to enhance new product and process development in the areas of advanced steels, coatings, energy storage, forming and multi-materials;
- The refocus of the Steel and Metal Institute assets towards future ready themes of decarbonisation, alternate ironmaking and scrap remediation; and
- The creation of an ambitious program on Perovskite Photovoltaics for Construction and Building Envelope sectors.

Process development

The process technology programme in 2021/22 was focused on lean and robust manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports the Group's manufacturing and differentiated product strategy. Key achievements during 2021/22 were:

- Introduction of flexible lubrication to improve rolling processes;
- A new Hot Dip Process Simulator was added to support coating developments;
- Several investigations into decreasing the environmental and societal impact from the steelworks, e.g. the minimisation of odour emissions from burner installations, a new design of oxygen blow profiles to prevent slopping at convertor processes, and investigations into how to prevent clogging; and
- The castability of several new grades was assessed on feasibility of implementation on the Group's production lines.

Product market sector developments

In TSE, 13 new products were launched during the year. These launches include major developments for the Automotive, Construction and Engineering end markets.

In the Automotive sector, TSE continued to maintain its leadership position in the outer panel full finish segment. TSE has further improved the chemistry and product performance of its Serica® range offering premium surface finish for market-leading paint appearance for Automotive outer body applications. Additionally, TSE launched a new offering of heavy gauge Nickel-plated steel for application in rechargeable batteries in premium Electric Vehicles.

In the Construction sector, TSE launched five new products which included extending the capability of Linepipe offerings for offshore Oil & Gas application in the X65/X70 grade range and extending the dimensional range of premium cold-formed Hybox® tubes. Further, the Group improved the sustainability credentials of the Contiflo® range of precision tubes with an odour free and low environmental impact internal coating aligned to latest environmental standards. From a new Building Systems facility in the Netherlands, TSE continued to enhance its product portfolio with the launch of a Sinusoidal Roof Panel which offers economic, functional, aesthetic and sustainable solutions with optimum building performance. The product provides a future-proof solution for asbestos roof replacement market.

Moreover, with the launch of two additional hot-rolled grades 27MnB5 and 38MnB5, the Engineering sector further extended its heat treatable, manganese boron portfolio. The new products offer increased wear resistance and higher strength when quenched and tempered after forming, in agriculture wear parts application.

A5. Financial Review

£m	2021/22	2020/21
Liquid steel production (mt)	10.1	9.6
Steel deliveries (mt)	9.0	8.8
Revenue	**8,876**	**5,773**
EBITDA	**1,209**	**(76)**
Depreciation and amortisation (net of grants)	(231)	(253)
Operating profit/(loss) before restructuring, impairment and disposals	**978**	**(329)**
Restructuring, impairment and disposals	(50)	(158)
Operating profit/(loss)	**928**	**(487)**
Net finance costs	(145)	(149)
Share of post-tax results of joint ventures and associates	13	7
Profit/(loss) before taxation	**796**	**(629)**
Taxation credit/(charge)	86	(164)
Profit/(loss) after taxation	**882**	**(793)**

Profit and loss

Group revenue of £8,876m in 2021/22 was 54% higher than the previous year due to a 50% increase in average revenue per tonne and a 2% increase in deliveries. This improvement is attributable to the recovery of the European steel market from the weakened market conditions caused by the COVID-19 pandemic in the previous year.

The operating result before restructuring, impairment and disposals in 2021/22 was a profit of £978m compared to a loss of £329m in 2020/21 due to increased steel spread levels driven by higher demand as the European steel market improved. The increased operating result before restructuring, impairment and disposals was despite higher costs of energy with prices rising significantly in the second half of 2021/22.

Restructuring, impairment and disposals was a charge of £50m in 2021/22, £108m lower than 2020/21, due primarily to the prior year containing a higher impairment charge relating to write down of assets in the UK following the difficult trading conditions experienced in that year.

Net finance cost in 2021/22 was £145m, £4m lower than 2020/21. The current year includes a £36m credit for an interest waiver by TSGH and lower interest costs due to group companies following a debt to equity conversion within the year. The reduction in interest costs was partly offset by a charge of £72m relating to accelerated amortisation of interest costs due to prepayments made against the SFA during the year.

Taxation was a net credit of £86m in 2021/22 compared to a net charge of £164m in 2020/21. The current year includes £135m deferred tax credit in relation to increased deferred tax assets recognised following higher profitability projections in several tax jurisdictions and a £52m charge due to a reduction in deferred tax assets in the Netherlands following utilisation of brought forward tax losses against current year taxable profits. The tax charge in 2020/21 includes a UK deferred tax charge of £186m which was recognised in the income statement to offset a net deferred tax credit in other comprehensive income relating mainly to BSPS actuarial losses.

The profit after tax in 2021/22 was £882m compared to a loss of £793m in 2020/21 due to a higher operating result supported by the lower restructuring, impairments and disposals, lower finance costs and lower taxation.

Financing

The majority of the external borrowings of the Group are accounted for by the SFA.

The SFA is secured by the shares of Tata Steel Netherlands Holdings B.V. ('TSNH') and the assets and shares of TSUK. It contains a financial covenant which sets an annual maximum capital expenditure level at the TSNH level. It also contains cash flow to debt service and debt to tangible net worth covenants which are calculated at the TSL level. During 2021/22 TSNH made early repayments of €565m on 30 June 2021 (€410m full repayment of facility A and €155m part repayment of Facility B) and €715m on 29 October 2021 (part repayment against Facility B). Following these repayments the outstanding amount of the SFA is €470m in relation to Facility B which is a bullet term loan repayable in February 2026. The repayments of the SFA in the year were funded via additional loans received by TSNH from the TSE's immediate parent

company TSGH of €565m and €715m on 30 June 2021 and 29 October 2021 respectively.

On 14 June 2021 TSE renewed its £200m short term loan facility with an external bank for a further 6 months. On 29 September, £150m of this facility was prepaid early leaving a balance of £50m. As at 31 March 2022 £50m of the loan was outstanding due for repayment on 14 April 2022 and on that date the loan was refinanced for a further 3 months. On 23 May 2022 this loan was repaid.

Subsequent to the balance sheet date on 18 May 2022, TSE entered into a £150m three year committed working capital facility with an external bank. On 23 May 2022, £50m of this facility was utilised with a further £50m utilised on 24 May 2022.

On 29 June 2021 TSUK entered into a new revolving credit facility with a syndicate of lenders. At inception this facility had a limit of £100m however this was subsequently raised to £200m on 5 July 2021 following the addition of more lenders. The amount drawn on this facility as at 31 March 2022 was £150m.

On 29 November 2021, TSUK entered into new £50m three year committed loan facility with an external bank of which £50m was drawn as at 31 March 2022.

TSN continues to have access to a €150m revolving credit facility under which it is the sole borrower. This facility was undrawn as at 31 March 2022.

Tata Steel IJmuiden BV ('TSIJ') continues to have access to a trade receivables securitisation arrangement. Under the uncommitted arrangement, an external bank has agreed to purchase all eligible receivables from TSIJ up to a programme maximum amount of €200m on a non-recourse basis.

TSUK continues to have access to a trade receivables securitisation arrangement. Under the uncommitted arrangement, an external bank has agreed to purchase all eligible receivables from TSUK up to a programme maximum amount of £400m on a non-recourse basis.

The short-term working capital funding previously provided by TSL group companies to the Group ended on 30 June 2021. For further details, please see note 34.

Acquisitions and Disposals

On 1 April 2022 TSE completed the sale of its subsidiary, Tata Steel France Bâtiment et Systèmes SAS ('TSFBS'). Accordingly as at 31 March 2022, the TSFBS disposal group was classified as held for sale. For further details, please see note 18.

Across the wider Tata Steel Group there is a continuing focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce complexity, aid in transparency and improve corporate governance. During the current year TSE completed the dissolution of 31 subsidiaries (29 UK and Ireland, 2 rest of World). As at 31 March 2022 there were 32 non-trading subsidiaries in voluntary liquidation (28 UK and Ireland, 4 rest of World) and it is anticipated these will enter into dissolution within 2022/23.

Full details of TSE's subsidiary companies can be found in note 37 of the accounts.

Cash flow

Net cash flow from operating activities in 2021/22 was an inflow of £349m (2020/21: £382m). This is primarily due to increased profitability offset by increases in working capital and a net cash outflow of £77m (2020/21: £124m) in relation to interest.

The working capital to turnover ratio (excluding the impact of arrangements with TSL Group companies) increased to 15.4% in 2021/22 from 14.3% in 2020/21. This is largely due to an increase in in the value of inventory during the year following higher input prices.

Net cash flow used in investing activities was an outflow of £268m (2020/21: £297m) due mainly to property, plant and equipment capital expenditure of £290m (2020/21: £316m).

There was a net cash inflow of £403m from financing activities (2020/21: outflow of £53m) mainly due to proceeds from new loans received from TSGH and a drawdown of the UK RCF. The net increase in cash and cash equivalents in 2021/22 was £484m (2020/21: £32m).

Capital expenditure

Capital expenditure on property, plant and equipment in 2021/22 at £290m (2020/21: £316m) included spend on a number of major capital projects in both the Netherlands and the UK.

In the Netherlands this included, within the IJmuiden site, significant capital expenditure on the Strategic Asset Roadmap Programme ('STAR') to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. Key

STAR activities during 2021/22 included, in October 2021, the commissioning of a new continuous caster on the IJmuiden site. With the new installation, Tata Steel can produce an even wider range of advanced steels, including so-called 'advanced high strength steels' and 'ultra high strength steels', which are super strong, but also very malleable at the same time. This enables customers to make products that contribute to making society more sustainable. For example, car manufacturers can use these types of steel to design lighter and therefore more economical cars, which are at the same time even safer than the current models. Work on the cold mill upgrade progressed whilst the preparatory work on the repair to Blast Furnace 6 at IJmuiden also continued. Alongside these, investments to support the Roadmap plus programme developed. This programme is speeding up the road to a better living environment for the local community through extra measures and investments. This will significantly reduce the nuisance caused by dust, noise, odour and light in the coming years.

The main projects within the UK in 2021/22 included, within the Port Talbot site, work on essential Blast Furnace stove repairs and crane replacements. At the Corby site, work progressed on the transformation programme to consolidate the operation onto a smaller site, with investment in a new state-of-the-art warehouse nearing completion and the announcement of an investment in a new replacement mill. The new mill will roll steel into tubes which can be used in construction and various engineering applications from farm machinery to bridges and heavy goods vehicles. The work is expected to be completed by the end of 2023. Meanwhile at the Trostre site a significant investment was completed to upgrade the CAPL drives.

Balance sheet

TSE's consolidated net assets at 31 March 2022 were £4,585m (31 March 2021: £2,212m).

The increase of £2,373m was due to the profit after taxation of £882m (2020/21: loss of £793m) caused mainly by the favourable trading conditions following the lifting of COVID-19 restrictions on the economy, other comprehensive income of £91m (2020/21: loss of £820m) caused mainly by gains arising on cash flow hedges (with the prior year loss mainly caused by actuarial movements on pension schemes), along with an increase in share capital of £1,400m (see Note 26).

Net debt at 31 March 2022 amounted to £1,317m (31 March 2021: £1,853m). Of the net debt, approximately 82% (31 March 2021: 7%) was owed to Tata Steel group companies. Cash and short term deposits at 31 March 2022 amounted to £643m (31 March 2021: £161m). Further details on borrowings can be found in Note 19.

Financial risk management

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

A6. Section 172, Companies Act 2006

Section 172, Companies Act 2006

This report sets out how the directors have had regard to the matters set out section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006. This requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

During the year, and as described on page 2, the Company reorganised the management of its UK and mainland European operations. Since 1 October 2021, the principal management and decision-making of the Group has been devolved to the separate boards and management teams of the UK and MLE Businesses. With effect from this date, the Board has concentrated on oversight and assurance of the consolidated financial result of its Group. Responsibility for the direction and control of each of the UK and MLE Businesses, including responsibility for setting strategic priorities, supporting stakeholder engagement and communication with the Company's ultimate parent company in India has been assumed by TSUK and TSN and their respective management teams. The Company continues to maintain processes and controls in place to assure itself of the performance and results of its Group companies.

Until 30 September 2021, the Board delegated authority for day-to-day management of the Group to an Executive Committee, led by a Chief Executive Officer, which set, approved and managed the execution of business strategy. Following Separation on 1 October, the Executive Committee of the Company was disbanded.

Governance responsibilities in relation to audit matters are delegated to a Board committee which supports the Board in carrying out its duties. This committee comprises non-executive directors to provide appropriate external perspective and challenge. The Audit Committee provides governance and oversight for financial and other key assurance matters. Until Separation, the purpose of the TSE Remuneration Committee was to review remuneration for the Executive Committee members and executive board members.

The Board promotes high standards of corporate governance throughout the organisation and holds regular scheduled meetings to consider matters relevant to the Group. Seven Board meetings were held during the year ended 31 March 2022, with additional Committee meetings held as required. In FY22 the Board continued to meet electronically via Microsoft Teams, in compliance with applicable Covid-19 regulations, and further decisions were made by circulation where appropriate. New directors inducted into the Company are made aware of their directors' duties, including section 172(1) of the Companies Act, 2006. Induction materials are regularly refreshed and made available to all TSE directors via a Board Portal. No new directors were appointed during the financial year.

The Company has had a long-established Group Policy Framework which included delegated authority levels applicable to senior management roles across the organisation. These delegated authority levels also identified certain financial and commercial decisions reserved to the Company and TSL Boards. Following Separation, the MLE and UK Businesses adopted the Group Policy Framework and amended delegations of authority. Each Business expects to revise their policy frameworks and delegations in the coming financial year to reflect post-Separation organisational and governance structures and their respective operating models. The Board also considers guidance received from the TSL Board. The Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society. The Board recognises that given the complexity of the Group not all decisions taken will align with all stakeholder interests. Accordingly, the Board has taken decisions in the year that it believes best support the Company's strategic objectives.

(a) The likely consequence of any decision in the long term

The Board approved the FY22 Annual Plan for the Group and monitored its implementation throughout the year through detailed review of operational and financial performance. The Board also observes external factors, including the steel

industry outlook and global and economic market conditions. For the year ended 31 March 2022, the Board has continued to consider and respond to the impact of COVID-19 on the business and Annual Plan and review assumptions throughout the year.

During the year, the Board has reviewed proposals for the allocation of capital expenditure to support the Annual Plan and future sustainability of the TSE Group. The Board has taken into consideration guidance received from its parent company, TSL, and has sought to align capital allocation within the cash flows generated while ensuring capital expenditure for safety compliance and essential maintenance received the highest priority. The Board also reviewed proposals for contracts greater than 5 years and other material items.

The Board monitored the progress and provided guidance in relation to the TSE Transformation programme which is focused on long term financial stability and sustainable value growth. As set out in the Corporate Governance statement on page 30 of the TSE Annual Report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

The Board is mindful of the Group's decarbonisation objectives and considers it in strategic decisions where relevant.

In order to secure the viability of various group entities, the Board approved a number of equity restructurings and recapitalisations during the financial year.

(b) The interests of the company's employees

Disclosures in relation to the Group's employees are set out in this Strategic Report and in the Corporate Governance statement on page 30 of the TSE Annual Report. The Board has regard to the interests of the Group's employees in its decision making and the Company engages, through its operating subsidiaries, with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver each Value Chain's strategic objectives and prioritises the health, safety and wellbeing of its workforce. The Board also recognises that the Group's pensioner community remain important stakeholders and has supported steps to address pension risk during the year.

In 2020/21, COVID-19 resulted in a new way of working for many employees. In 2021/22, many of the Group's employees have continued to work from home, in compliance with local Covid-19 regulations, or under hybrid working arrangements. The Board and those of its subsidiary companies recognise the importance of engagement with its employees and the need to ensure that even though employees may be isolated they do not feel alone or excluded. The Company and the management teams in its separate Value Chains continue to communicate digitally with employees including by means of Senior Leadership videos, emails and online events. For instance, the UK Business launched a Mental Health Policy in February 2022 with a commitment to promote, protect and maintain the mental health and wellbeing of its employees throughout the workplace.

The Board has also had regard to the impact on employees and local communities when considering proposals for the reorganisation, divestment or closure of any part of the business or Group.

During the year, there has been restructuring of certain senior management roles to support the UK and MLE Businesses and the Group's longer term goals for sustainability and financial stability.

(c) The need to foster the Company's business relationships with suppliers, customers and others

The Board together with the boards of companies in the Group, have oversight over all stakeholder relationships and have regard to these relationships in their decision making.

During the year, companies in the Group developed processes to manage and enhance relationships with suppliers, customers and others. These included understanding their evolving needs and new trends in order that the Group can adapt to meet those needs. The UK and MLE Businesses continue to work with key suppliers and customers and others, to understand the needs of customers and changes in the supply base in the context of Brexit, Covid-19 and other political matters which have impacted the Group's key markets and supply chains.

Further information can be found in the Strategic Report and in the Corporate Governance statement under Principle 6 on page 33 of the TSE Annual Report.

(d) The impact of the Company's operations on the community and the environment

The Board is aware of the impact of steel manufacturing on the environment and the communities in which the Group operates and reviews environmental performance against the goals of the Group. A key ambition is that the Group should be carbon neutral by 2050 and the Company's UK and MLE Businesses continue to explore strategic technological solutions to achieve its objectives. In September 2021, TSN announced its intention to pursue a hydrogen steel making route and will continue its engagement with stakeholders in FY23 to further develop this route. TSE was also awarded a World Steel Association, Steelie award in October 2021 for Excellence in Sustainability for zero carbon logistics. More details of TSE's decarbonisation objective can be found in the Strategic Report on page 14 of the TSE Annual Report

As a major employer, companies in the Group act as a cornerstone for local businesses. The Group also supports a number of community initiatives working under a "Future Generations" theme including Kids of Steel, which is one of the world's longest running triathlon series for kids. The Group further supports a Women in Steel initiative and measures to combat poverty and deprivation. Further details can be found in the Strategic Report on page 34.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct;

The Board is committed to maintaining the reputation of the Company and high standards of business conduct in all its business dealings. The five Tata values are set out in the Corporate Governance statement on page 30. In addition, the Tata Code of Conduct, which is a series of principles supporting the Tata values and ethical conduct, applies to all Tata branded companies.

The Group expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. The Board and Audit Committee reviews and approves control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. The Group has adopted a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. The Group also requires senior management and relevant employees to undertake mandatory compliance training and assessments.

(f) The need to act fairly between members of the Company

Following its acquisition by Tata Steel in 2007, Corus Group Plc reregistered as a private company and in 2010 rebranded as Tata Steel Europe. The Company is indirectly wholly owned by TSL, a listed company in India. Further details of ownership are set out on pages 45 and 87 of TSE's Annual Report. Further details of group companies are also set out on page 87 of TSE' Annual Report.

The Board includes directors holding senior positions at TSL able to communicate the views of the shareholder. The Group also has mechanisms in place for reporting to the TSL board and its committees.

A7. Approval of Strategic Report

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

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

K Chatterjee
Director
7 June 2022

B. Directors' Report

Directors' report for the year ended 31 March 2022

The directors present their report and the audited consolidated financial statements of the Group and Company for the year ended 31 March 2022.

The Board

The directors of the Company who served throughout the period from 1 April 2021 to the date of this report (unless otherwise stated) were as follows:

T V Narendran (Chairman)
H Adam
O P Bhatt (non-executive)
S Biswas (resigned 24 March 2022)
P M M Blauwhoff (non-executive) (resigned 25 June 2021)
K Chatterjee
J L M Fischer (non-executive) (resigned 30 June 2021)

There is an established Board committee for audit matters. Health, safety and environment matters are reported to the Board and considered by the SHE committee established for the TSL Group.

Directors' indemnity

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

Dividends

The directors do not recommend that a dividend be paid, and no dividends were paid or proposed during the year (2020/21: nil).

Political donations

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

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

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

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

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

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

Independent Auditors

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

Going concern

The directors have assessed the future funding requirements of the Company and the Group and have compared these funding requirements to the level of borrowing facilities which are assumed to be available, including working capital facilities.

In previous years, the Company and its subsidiaries were financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which were authorised, and supported, by TSL by way of a non-binding letter of parental support. During the year, the working capital support previously provided was extinguished on 30 June 2021 through the provision of an equity injection of £1,012m by TSE's parent company T S Global Holdings Pte Ltd ('TSGH'). This equity injection strengthened the balance sheet of the Company and relevant subsidiaries as well as removing the need for cash interest payments on the working capital financing.

In addition to the above, further support has been provided by TSGH during the year including, on 31 March 2022, via an equity injection of £388m to convert loans and interest payable to TSGH to equity. Furthermore, TSGH has lent the Company's subsidiary Tata Steel Netherlands Holdings BV ('TSNH') €1,280m in order to prepay amounts due on the Group's Senior Facilities Agreement ('SFA'). Following the prepayments the Group has no repayment obligation under the SFA until February 2026 at which point the remaining balance of €470m is due for repayment.

As at 31 March 2022, TSE had a £50m short term bank loan which was due for repayment in April 2022. Subsequent to the balance sheet date, this loan was rolled forward for three months on 14 April 2022 and then fully repaid on 23 May 2022. Subsequent to the balance sheet date, on 18 May 2022, TSE entered into a £150m three year committed working capital facility with an external bank and, on 23 May 2022, utilised £50m of this facility.

TSE is currently engaged in constructive discussions regarding long term financial support from both the UK and Netherlands governments to assist it in meeting the long term financial challenges of decarbonising the Group's steel production facilities. In the near term, the directors have considered a number of possible scenarios for its financial position including the impact of lower steel margins than has been assumed in the Group's Annual Plan and the mitigating actions the Group could take to limit any adverse consequences to liquidity. The Group's Annual Plan was prepared before the war in Ukraine and therefore the scenarios give consideration to the potential effect of the war on the Group's financial position such as higher costs of coal and energy as well as on the expected effect on steel selling prices. Whilst the ultimate impact of the war in Ukraine is unknown the directors expect that effect will be no worse than the scenarios prepared. The directors have compared the forecast cash requirements against the committed financing facilities available to the Company and the Group and are confident that the Company and the Group have access to adequate liquidity in both the base case and a severe but plausible downside scenario, over the next twelve months. For these reasons the directors have determined that it is appropriate for the financial statements of the Company and the Group to be prepared on a going concern basis.

Corporate Governance Statement

For the year ended 31 March 2022, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) as the appropriate framework for its corporate governance arrangements. This is the third year that they have been applied.

Principle 1 – Purpose and Leadership

Until 30 September 2021 the Board continued to assume responsibility for the governance, financial oversight and performance management of the Group, including responsibility for setting and reviewing its strategic direction. As in previous financial years, day to day management of the TSE Group's affairs was assumed by the TSE Executive Committee.

As described on page 25 above, the Company separated its UK and MLE Businesses on 1 October 2021 into two 'Value Chains' with their own governance structures to allow each business to pursue different strategic paths and give them greater agility and management focus. In connection with Separation, the Group's governance arrangements have changed such that primary management and decision-making responsibility for each of the Value Chains is positioned with the boards and management teams of TSUK and TSN respectively. The Tata Steel UK Limited and Tata Steel Netherlands Annual reports contain further details with respect to their governance and policies. The role of the TSE Board has accordingly evolved into one of financial governance and oversight and providing assurance in relation to the Group's consolidated financial statements.

The Group's vision has been to strive to be the global steel industry benchmark for value creation and corporate citizenship with a mission to build the leading European steel business that is sustainable in every sense which: delivers value to its shareholder; partners with customers and suppliers to innovate, produce and deliver steel products and services in a responsible way; and empowers its people and engages with its communities. The UK and MLE Businesses continue to partner with their suppliers and customers to innovate and deliver steel products in a more sustainable way and source raw materials under their responsible Procurement Policies. The Group continues to be an innovator of carbon neutral steelmaking within its Value Chains with each investing in decarbonisation programmes demonstrating the Group's commitment to the way sustainable steel is produced and delivered.

Tata Steel has adopted five values which are shared by all Tata companies worldwide and inform expected behaviours and practices throughout the Group:

- Pioneering - be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.

- Responsibility - be responsible and responsive to the countries, communities and environments in which the company works, always ensuring that what comes from the people goes back to the people many times over.

- Excellence - constantly strive to achieve the highest possible standards in day-to-day work and in the quality of the goods and services the company provides.

- Unity - work cohesively with colleagues across the Group and with customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

- Integrity: conduct business fairly, with honesty and transparency. Everything the Company does must stand the test of public scrutiny.

Each of the UK and MLE Value Chains communicates messages which reflect their purpose, values, vision, mission, strategy. Key messages are communicated by the Value Chains through their senior leadership via internal communications, senior manager updates and briefings and Town Hall meetings.. Further information relating to the Group's strategy and values may be accessed on the TSE website.

Principle 2 – Board Composition

The TSE Board comprises four directors. The balance of skills, backgrounds, experience and knowledge for the sectors in which the TSE Group operates, remains appropriate in the context of the reshaped organisation and its governance arrangements. The TSE Board has a Chairman but following Separation there is no longer a Chief Executive Officer responsible for a single business. None of the four directors hold executive management positions in the UK or MLE Businesses but bring experience in audit and industry matters as well as independent challenge. Three of the directors are members of the board of the ultimate parent company, TSL, two directors are also senior executive managers in TSL and one of those directors (the Chief Executive Officer of TSL) is also Chairperson of the Supervisory Board of TSN. Three are also directors of TSE's main operating company in the UK, TSUK, including the TSUK Chairperson. The size and structure of the Board is appropriate for the Company.

Up to 30 September 2021, day-to-day management of the Group's affairs was carried out by the TSE Executive Committee which for most of the period comprised of the Chief Executive Officer, Chief Financial Officer and Director Legal & Company Secretary. The Chief Executive Officer and Chief Financial Officer were also TSE Board directors during the year. As responsibility for primary management and decision-making transferred to the TSUK and TSN boards and Value Chains on 1 October, the Executive Committee was disbanded with effect from this date.

A biography of each TSE Board director can be found on the TSE website.

As a wholly owned subsidiary of TSL, TSE does not have its own Nominations Committee. TSE Board director appointments are usually recommended to the Board for consideration and approval by its ultimate parent company, TSL.

The Securities and Exchange Board of India (SEBI) monitors and regulates the corporate governance of TSL, which is a listed company in India.

Principle 3 – Directors responsibilities

The Board schedules its meetings to be aligned with the meetings held by its ultimate parent company, TSL, with additional meetings convened if required. Directors' interests are reported at each Board meeting.

To support the TSE Board in carrying out its duties, there is an established Audit Committee with a terms of reference. A review will be undertaken in FY23 as to the requirement for a TSE Remuneration Committee as the Company no longer has an Executive Committee, a Chief Executive Officer nor executive directors.

Safety, Health and Environment (SHE) matters are reviewed at TSL group level by a SHE Committee chaired by a non-executive director of TSL. The TSUK and TSN boards continue to have primary responsibility for SHE matters which relate to their businesses and the TSE Board continues to review SHE matters which materially affect the Company.

During the year, the Board and Executive Committee received regular information on all material aspects of the business including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. Board papers setting out proposals are required to include background, current status, rationale and business case, alternatives, financial analysis, risk assessment and timelines to help inform directors with their decision-making. In addition, the internal audit and assurance function provides additional assurance on specific key risks to ensure systems and controls are operating effectively.

TSE has deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. The delegated authority framework was reviewed and revised in April and May 2021 to reflect changes in senior management roles. At Separation, the UK and MLE Value Chains adopted the Group Policy Framework. The Frameworks are currently being reviewed and revised to reflect the change in the operating model and organisational structures.

Principle 4 – Opportunity and Risk

During the year, the Board considered material and strategic projects, contracts and other opportunities (as defined by value and duration) in addition to monitoring the performance of the Company and the TSE Group's longer-term financial sustainability. From 1 October, the business improvement programmes of TSE's main operating subsidiaries in the UK and the Netherlands are now under the remit of the UK and TSN boards respectively. Decarbonisation continues to be a key risk and opportunity for the TSE Group and is kept under regular review by the Board and those of the UK and MLE Businesses.

The principal risks and uncertainties affecting the TSE Group and mitigating actions taken in respect of them are set out in the Strategic Report on page 3. Since 1 October, the principal activity of the Company is that of a holding company for the TSE Group of companies and to provide financial governance and oversight for the Group.

Enterprise Risk Management (ERM) frameworks have been deployed by the respective subsidiary boards for the Value Chains, in alignment with TSL's ERM framework.

TSUK's Risk Committee meets quarterly and comprises of the TSUK Chairman as its Chair and the UK Management team which is composed of cross functional senior leaders. The Risk Committee also has representation from the ultimate parent company, TSL. Its principle purpose is to assess and identify TSUK's principal and emerging risks which are aligned to TSUK's strategy and the delivery of its objectives. In addition, monthly Risk management sub-committees are held by each of TSUK's Chief Operations Officer, Chief Financial Officer and the Chief Commercial Officer.

The TSN Risk committee meets quarterly and comprises of the TSN Board of Management and the Risk officers. Its principle purpose is to assess and identify TSN's principal and emerging risks which are aligned to TSN's strategy and the delivery of its objectives. In addition, risk sub-committees have been installed within the Business Unit Tata Steel Downstream Europe and Business Unit IJmuiden, composed of cross functional senior leaders who assess emerging risks on a monthly basis and act if needed. (e.g. energy price volatility in 2021, Russia-Ukraine war in 2022).

On a quarterly basis, the risk management teams within the Value Chains discuss approach and deployment of risk management principles and share their learnings. Up to 30 September, the Company had a single Integrity & Compliance Committee (I&CC). The I&CC reviewed compliance and asset protection matters, including whistleblowing, and reported to the Executive Committee quarterly and to the TSE Audit Committee half-yearly and by exception. From 1 October, each of the UK and MLE Businesses has a Compliance and Integrity Committee which meets quarterly. There is a regular joint Committee meeting to discuss matters of common interest between the respective businesses. Reports are submitted to the respective boards and provided to the TSE Audit Committee on a six monthly basis.

Principle 5 – Remuneration

The Group has had a Remuneration Policy comprising reward and recognition principles and which sets out the criteria describing key drivers for base and variable pay. The Group has followed a reward philosophy that would enable it to attract, retain and motivate the people it needs to deliver its objectives, is competitive in relevant markets, links to the achievement of the corporate objectives and follows the principles of being simple, objective and fair.

During the year, the TSE Board had a Remuneration Committee comprising at least one non-executive director. As the principle objective of the Committee was to determine the remuneration policy for Executive Committee members and TSE Board executive directors. Following Separation, a review will be undertaken as to the role of the Remuneration Committee in light of the changes to composition of the Board and the absence of an Executive Committee at that level. The remuneration of non-executive directors is a matter for the TSE Chairman and for the parent company, TSL.

The Company's principal operating subsidiary in the UK, TSUK, has published its Gender Pay Gap Report for 2021, which is available on the TSE Website. Further information in relation to the Gender Pay Gap is available on page 12 of the Annual Report.

Principle 6 – Stakeholder Relationships and Engagement

The Board recognises the importance of effective communication with the stakeholders of its UK and MLE Businesses in order to deliver the purpose, values, vision, mission and strategy of those businesses and ensure protection of Tata Steel's relationships, reputation and brand. The Group's stakeholders include its shareholders, customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which its businesses operate.

The Board continues to consider on the health, safety and wellbeing of employees, contractors and other partners of the Group, although primary management and responsibility for these matters sits with the TSUK and TSN Boards in relation to their businesses. The TSE board has therefore regularly reviewed health and safety matters and, prior to Separation, the Executive Committee and other senior leaders were prominent in leadership communications on this topic. Each Value Chain continues to adopt a health & safety framework which includes zero harm campaigns, leadership safety tours, and the deployment of the 5 key health and safety commitments. Through the PeopleLink system, the businesses continue to offer online learning and development courses accessible by employees, including a series of mental health modules as well as other health, safety and wellbeing training.

During the year, the Group deployed a number of strategies for employee engagement, allowing employees to receive performance updates and ask questions directly to Executive Committee and TSE board members. With many employees continuing to work from home during FY22 under COVID-19 restrictions, TSE has continued to utilise digital mediums such as live streaming events to deploy performance updates and expanded its audience of senior managers to communicate the strategy and goals for the financial year ahead. From 1 October each Value Chain has continued with TSE's employee engagement strategy and will review their strategies, as appropriate, as employees return to the office, to ensure employees and senior managers remain informed as to the Value Chain performance, health and safety matters and any other matter requiring employee engagement.

The Group regularly conducts Employee Surveys which are used to drive areas for improvement for employee engagement. TSE did not conduct an employee engagement survey in FY2021 due to the ongoing Covid-19 pandemic and organisational changes associated with Separation. Post Separation the Value Chains expect to continue to undertake regular employee engagement surveys.

The Board includes directors of the parent company, TSL. TSE is required to report to its ultimate shareholder on a number of matters in order to support the Tata Steel Limited Group's overall corporate governance requirements. Post 30 September, the TSUK and TSN boards are also expected to refer certain matters to the TSL.

During the year, Board directors, Executive Committee members and senior managers with the relevant areas of expertise have liaised with Government bodies, including regulators, as appropriate.

The Group encourages its suppliers to work with it to create value to its end customers, society and shareholders. The Group has adopted a Responsible Procurement Policy which underpins its commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to the Group and their respective entire supply chains. The policy has the following principles: health and safety, fair business practices, environmental protection, human rights and local community development. A due diligence management system for the complete supply base is in place in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

Delivering an excellent customer experience is a key strategic priority for the Group's business model and is centred around direct engagement with customers aligned to market sectors and allows for continuous feedback. The Group reviews and evaluates performance through Voice of the Customer listening activities which includes a regular Customer Satisfaction survey. The survey was carried out in 2021 and covered overall satisfaction, the Group's support of its customers during the pandemic and learning about customers sustainability priorities, with results showing an overall increase in Customer Satisfaction Index compared to the previous survey. Outcomes and learnings from the survey are being integrated into strategic improvements activities of the UK and MLE Value Streams.

As a leading steel producer, the Group is dedicated to managing its operations responsibly, sustainably and to continuous improvement to create a sustainable business in the long term, with sustainability at the heart of the Group's strategy. The Group has set out its ambition to reduce CO2

emissions by 30% by 2030 with aims to be carbon neutral by 2050 by partnering with other industries, developing breakthrough technologies and investing in new infrastructure. In 2022, TSE and TSL were recognised for the fifth consecutive year as Steel sustainability Champions by the worldsteel Association for their work in 2021, In addition, in October 2021 TSE was awarded a Steelie award for Excellence in Sustainability by worldsteel Association in relation to its zero carbon logistics.

The Group is committed to its businesses working in partnership with their local communities to support their social and economic wellbeing. TSE's Community Partnership Programme provides investment in a range of sustainable initiatives that bring benefits to large groups within local communities.

During FY21/22, the Group continued to hold a number of its community events online due to the global coronavirus pandemic. Whilst there have been fewer events than in previous years, the Group has continued to promote Women in Steel and STEM (Science, Technology, Engineering and Maths) education initiatives with sessions held virtually with local partners. The Tata Kids of Steel events which are of series of inclusive and fun sports activities were cancelled due to the pandemic and are set to resume in the UK in June 2022 in partnership with the Brownlee Foundation. TSE also supports sporting community programmes and outreach programmes in the local communities in which we operate. . The "Women in Steel" podcast series interviewing TSE women senior leaders to provide insights and encouragement to wider employees, has continued throughout 2021/22..

The Group uses a confidential reporting line service which allows employees, contractors and others to report potential concerns while remaining anonymous.

A review of the Group's performance, processes and practices is carried as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set criteria. Leadership is a key category of the assessment model and the assessors review the operation of governance in the Group. The TBEM process enhances value for all stakeholders and contributes to market place success, maximises enterprise-wide effectiveness and capabilities and delivers organisational and personal learning. At the end of the assessment, feedback is provided to the Company which then make recommendations for improvement. Post Separation, TSUK and TSN will each undertake an assessment which are expected to take place in 2023.

Statement of engagement with suppliers, customers and others in a business relationship with the company

The Company's engagement with suppliers, customers and others with whom it is in a business relationship is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 33 of the Annual Report.

Statement of engagement with employees

The Company's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 33 of the Annual Report.

Post balance sheet events

On 1 April 2022, the Group completed the sale of its subsidiary, Tata Steel France Bâtiment et Systèmes SAS.

On 18 May 2022, TSE entered into a £150m three year committed working capital facility with an external bank and, on 23 May 2022, utilised £50m of this facility to repay a separate loan of £50m which was outstanding as at 31 March 2022. On 24 May 2022, TSE utilised a further £50m of this facility and lent the proceeds on to TSUK.

On 26 May 2022 the BSPS agreed a partial buy-in transaction with an external insurer with a value of the order of £2.24bn. The transaction is expected to result in a reduction of the IAS 19 surplus recognised on TSE's consolidated balance sheet of c. £200m - £250m with the reduction being recognised as an actuarial loss through other comprehensive income.

B. Directors' Report

Information provided in the Strategic report

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

- Principal risks and uncertainties (see page 3);
- Business review (see page 10);
- Factors likely to affect the Group's future development, performance and position (see page 2);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 11);
- Details on how the Group engages with its employees (see page 33);
- Streamlined Energy & Carbon Reporting emissions information (see page 18);
- Research & development activities (see page 20); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 24)

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

K Chatterjee
Director
7 June 2022

C. Directors Responsibilities Statement

The directors are responsible for preparing the Report and Accounts 2022 in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information

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

K Chatterjee
Director
7 June 2022

D. Independent auditors' report to the members of Tata Steel Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Tata Steel Europe Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2022 (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 March 2022; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Parent Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; the Presentation of accounts and accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, employment legislation, and climate-related regulations such as the Environmental Protection Act 1990, the Pollution Prevention and Control Act 1999 in the United Kingdom and the Industry Carbon Tax Act (Wet CO2-heffing industrie) in the Netherlands, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and potential management bias in accounting estimates in order to manipulate financial results and overstate profits. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal representatives, including consideration of known or suspected non-compliance with laws, regulations and fraud, and confirming such matters with external legal counsel where applicable;
- Reviewing Board minutes and reports that set out the Group's compliance and monitoring of legal and internal control matters;
- Inquiring with relevant personnel to understand management's processes for identifying and reporting risks and threats within the Group;
- Identifying and testing journals, in particular those that have unusual account combinations involving credits to revenue and other income statement items; and
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the impairment assessment.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
8 June 2022

E1. Consolidated income statement

For the financial year ended 31 March

	Note	2022 £m	2021 £m
Revenue	1	**8,876**	5,773
Operating costs	2	**(7,948)**	(6,260)
Operating profit/(loss)		**928**	(487)
Finance costs	5	**(192)**	(154)
Finance income	5	**47**	5
Share of post-tax results of joint ventures and associates	10 (iv)	**13**	7
Profit/(loss) before taxation		**796**	(629)
Taxation	6	**86**	(164)
Profit/(loss) after taxation		**882**	(793)
Attributable to:			
Owners of the Company		**882**	(793)
Non-controlling interests		**-**	-

All references to 2022 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 37 refer to the financial period ended 31 March 2022 or as at 31 March 2022 as appropriate (2021: the financial period ended 31 March 2021 or as at 31 March 2021).

Notes and related statements forming part of these accounts appear on pages 54 to 91.

E2. Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2022 £m	2021 £m
Profit/(loss) after taxation		**882**	(793)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans	21	**49**	(979)
Income tax relating to items that will not be reclassified	6	**(12)**	187
Items that may be reclassified subsequently to the income statement:			
Gains arising on cash flow hedges	24	**77**	27
Income tax relating to items that may be reclassified	6	**(16)**	(7)
Foreign exchange on currency net investments		**(7)**	(48)
Other comprehensive income/(loss) for the year net of tax		**91**	(820)
Total comprehensive income/(loss) for the year		**973**	(1,613)
Attributable to:			
Owners of the Company		**973**	(1,613)
Non-controlling interests		**-**	-

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

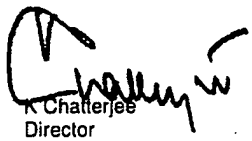
Notes and related statements forming part of these accounts appear on pages 54 to 91.

E3. Consolidated and Parent Company balance sheets

As at 31 March		Group		Company	
	Note	2022 £m	2021 £m	2022 £m	2021 £m
Non-current assets					
Goodwill	7	**405**	405	-	-
Other intangible assets	8	**85**	117	-	-
Property, plant and equipment	9	**2,562**	2,474	-	-
Equity accounted investments	10	**45**	34	-	-
Investments in subsidiary undertakings	10	-	-	**5,273**	3,966
Other investments	11	**13**	18	-	-
Long term receivables	12	**2**	4	-	-
Retirement benefit assets	21	**2,050**	1,988	-	-
Deferred tax assets	13	**260**	135	-	-
		5,422	5,175	**5,273**	3,966
Current assets					
Inventories	14	**2,273**	1,369	-	-
Trade and other receivables	15	**1,064**	683	**33**	212
Current tax assets	16	**5**	6	-	-
Cash and short-term deposits	17	**643**	161	-	1
		3,985	2,219	**33**	213
Assets held for sale	18	**24**	-	-	-
TOTAL ASSETS		**9,431**	7,394	**5,306**	4,179
Current liabilities					
Inter-group borrowings	19	-	(144)	-	(144)
External borrowings	19	**(249)**	(251)	**(50)**	(200)
Trade and other payables	20	**(2,285)**	(2,434)	**(33)**	(53)
Current tax liabilities	16	**(15)**	(9)	-	-
Retirement benefit obligations	21	**(1)**	(1)	-	-
Short-term provisions and other liabilities	22	**(166)**	(357)	-	-
		(2,716)	(3,196)	**(83)**	(397)
Non-current liabilities					
Inter-group borrowings	19	**(1,083)**	-	-	-
External borrowings	19	**(628)**	(1,619)	-	-
Retirement benefit obligations	21	**(89)**	(114)	-	-
Provisions and other liabilities	22	**(189)**	(187)	-	-
Other non-current liabilities	23	**(71)**	(61)	-	-
Deferred income	25	**(4)**	(5)	-	-
Deferred tax liability	13	**(47)**	-	-	-
		(2,111)	(1,986)	-	-
Liabilities held for sale	18	**(19)**	-	-	-
TOTAL LIABILITIES		**(4,846)**	(5,182)	**(83)**	(397)
NET ASSETS		**4,585**	2,212	**5,223**	3,782
Equity					
Called up share capital	26	**10,222**	8,822	**10,222**	8,822
Accumulated deficit	26	**(5,935)**	(6,854)	**(4,999)**	(5,040)
Other components of equity	26	**297**	243	-	-
Equity attributable to owners of the Company		**4,584**	2,211	**5,223**	3,782
Non-controlling interests		**1**	1	-	-
TOTAL EQUITY		**4,585**	2,212	**5,223**	3,782

The Company recorded a gain of £41m (2021: loss of £12m) and has taken advantage of the exemption under section 408 of the Companies Act 2006 allowing it not to present its own income statement.

The financial statements on pages 40 to 44 were approved and authorised for issue by the Board and signed on its behalf by:



K Chatterjee
Director
7 June 2022
Tata Steel Europe Limited
Registered No: 05957565

E4. Consolidated and Parent Company statements of changes in equity

Group:

	Share capital £m	Accumulated deficit £m	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Other reserve £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 1 April 2020	8,822	(5,267)	(12)	281	(2)	-	3,822	1	3,823
Loss for the financial year	-	(793)	-	-	-	-	(793)	-	(793)
Other comprehensive (loss)/income for the financial year	-	(792)	20	(48)	-	-	(820)	-	(820)
Total comprehensive (loss)/income for the financial year	-	(1,585)	20	(48)	-	-	(1,613)	-	(1,613)
Reserve reclassification	-	(2)	-	-	2	-	-	-	-
Other reserve – restricted assets	-	-	-	-	-	2	2	-	2
Balance as at 31 March 2021	8,822	(6,854)	8	233	-	2	2,211	1	2,212
Profit for the financial year	-	882	-	-	-	-	**882**	-	**882**
Other comprehensive income/(loss) for the financial year	-	37	61	(7)	-	-	**91**	-	**91**
Total comprehensive income/(loss) for the financial year	-	919	61	(7)	-	-	**973**	-	**973**
Issue of ordinary shares (Note 26)	1,400	-	-	-	-	-	**1,400**	-	**1,400**
Balance as at 31 March 2022	**10,222**	**(5,935)**	**69**	**226**	**-**	**2**	**4,584**	**1**	**4,585**

Company:

	Share capital £m	Accumulated deficit £m	Total equity £m
Balance as at 1 April 2020	**8,822**	**(5,028)**	**3,794**
Loss for the financial year	-	(12)	(12)
Balance as at 31 March 2021	**8,822**	**(5,040)**	**3,782**
Profit for the financial year	-	41	**41**
Issue of ordinary shares (Note 26)	1,400	-	**1,400**
Balance as at 31 March 2022	**10,222**	**(4,999)**	**5,223**

Notes and related statements forming part of these accounts appear on pages 54 to 91.

E5. Consolidated statement of cash flows

For the financial year ended 31 March	Note	2022 £m	2021 £m
Operating activities			
Cash generated from operations	30	**438**	513
Interest paid		**(62)**	(109)
Interest element of lease rental payments		**(15)**	(15)
UK corporation tax		**(1)**	(2)
Overseas taxation		**(11)**	(5)
Net cash flow generated from operating activities		**349**	382
Investing activities			
Purchase of property, plant and equipment		**(290)**	(316)
Sale of property, plant and equipment		**11**	15
Purchase of other intangible assets		**(4)**	(31)
Sale of equity instruments		**6**	-
Deferred proceeds on prior sale of subsidiary	12	**2**	6
Deferred proceeds on prior sale of joint venture		**-**	3
Sale of businesses and subsidiary undertakings	33	**-**	1
Dividends from joint ventures and associates	10	**1**	7
Dividends received from investments		**1**	2
Principal receipts under sublet leases		**3**	14
Interest received		**2**	1
Net cash acquired		**-**	1
Net cash flow used in investing activities		**(268)**	(297)
Financing activities			
New loans (including drawdowns of revolving credit facility)		**1,862**	493
Repayment of borrowings (including repayments of revolving credit facility)		**(1,406)**	(475)
Capital element of lease rental payments		**(53)**	(71)
Net cash flow generated from/(used in) financing activities		**403**	(53)
Increase in cash and cash equivalents	32	**484**	32
Cash and cash equivalents at beginning of period	32	**161**	134
Effect of foreign exchange rate changes	32	**(2)**	(5)
Cash and cash equivalents at end of period	**32**	**643**	161
Cash and cash equivalents consist of:			
Cash and short-term deposits	17	**643**	161
Bank overdrafts		**-**	-
		643	161

Notes and related statements forming part of these accounts appear on pages 54 to 91.

E6. Presentation of accounts and accounting policies

I Basis of preparation

TSE is a private limited company incorporated, registered and domiciled in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Group for the year ended 31 March 2022 comprise the Company and its subsidiaries and the Group's interest in its joint ventures and associated undertakings.

The functional and presentational currency of the Company and the presentational currency of the Group is sterling.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. TSE transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

TSE meets the definition of a qualifying entity under FRS 100 *'Application of Financial Reporting Requirements'* issued by the Financial Reporting Council. As such the Company's financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101 *'Reduced Disclosure Framework'* ('FRS 101').

The financial statements apply the recognition, measurement and presentation requirements of UK-adopted international accounting standards, but make amendments where necessary in order to comply with the Act and take advantage of the FRS 101 disclosure exemptions.

The financial statements for the Company and Group have been prepared under the historical cost convention, unless otherwise stated.

The directors have assessed the future funding requirements of the Company and the Group and have compared these funding requirements to the level of borrowing facilities which are assumed to be available, including working capital facilities.

In previous years, the Company and its subsidiaries were financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which were authorised, and supported, by TSL by way of a non-binding letter of parental support. During the year, the working capital support previously provided was extinguished on 30 June 2021 through the provision of an equity injection of £1,012m by TSE's parent company T S Global Holdings Pte Ltd ('TSGH'). This equity injection strengthened the balance sheet of the Company and relevant subsidiaries as well as removing the need for cash interest payments on the working capital financing.

In addition to the above, further support has been provided by TSGH during the year including, on 31 March 2022, an equity injection of £388m to convert loans and interest payable to TSGH to equity. Furthermore, TSGH has lent the Company's subsidiary Tata Steel Netherlands Holdings BV ('TSNH') €1,280m in order to prepay amounts due on the Group's Senior Facilities Agreement ('SFA'). Following the prepayments the Group has no repayment obligation under the SFA until February 2026 at which point the remaining balance of €470m is due for repayment.

As at 31 March 2022, TSE had a £50m short term bank loan which was due for repayment in April 2022. Subsequent to the balance sheet date, this loan was rolled forward for three months on 14 April 2022 and then fully repaid on 23 May 2022. Subsequent to the balance sheet date, on 18 May 2022, TSE entered into a £150m three year committed working capital facility with an external bank and, on 23 May 2022, utilised £50m of this facility.

TSE is currently engaged in constructive discussions regarding long term financial support from both the UK and Netherlands governments to assist it in meeting the long term financial challenges of decarbonising the Group's steel production facilities. In the near term, the directors have considered a number of possible scenarios for its financial position including the impact of lower steel margins than has been assumed in the Group's Annual Plan and the mitigating actions the Group could take to limit any adverse consequences to liquidity. The Group's Annual Plan was prepared before the war in Ukraine and therefore the scenarios give consideration to the potential effect of the war on the Group's financial position such as higher costs of coal and energy as well as on the expected effect on steel selling prices. Whilst the ultimate impact of the war in Ukraine is unknown the directors expect that effect will be no worse than the scenarios prepared. The directors have compared the forecast cash requirements against the committed financing facilities available to the Company and the Group and are confident that the Company and the Group have access to adequate liquidity in both the base case and a severe but plausible downside scenario, over the next twelve months. For these reasons the directors have determined that it is appropriate for the financial statements of the Company and the Group to be prepared on a going concern basis.

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2021.

II New Standards and interpretations applied

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

		Effective Date*
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform—Phase 2	1 Jan 2021
IFRS 4 (Amendments)	Amendments to IFRS 4 Insurance contracts – deferral of IFRS 9	1 Jan 2021

** periods commencing on or after*

TSE has adopted the above amendments. In accordance with the transition provisions, the amendments have been adopted retrospectively to financial instruments. Comparative amounts have not been restated, and there was no impact on the current opening reserves amount on adoption. Neither of these amendments had a material impact on the TSE financial statements.

'Phase 2' of the Interest Rate Benchmark Reform amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial

assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised.

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

For the year ended 31 March 2022, TSE has not been required to apply the practical expedients provided under 'phase 2' to any of its long-term debt.

SONIA (Sterling Overnight Index Average) replaced GBP LIBOR from 1 January 2022. There are key differences between GBP LIBOR and SONIA. GBP LIBOR was a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is currently a 'backward-looking' rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SONIA currently does not.

To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences were applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

At 31 March 2022 there were no contracts that required transition from LIBOR to SONIA as there were no interest renewal periods falling between 1 January 2022 and 31 March 2022.

TSE currently has a number of contracts which reference GBP LIBOR and extend beyond 31 March 2022. These contracts are disclosed within the table below.

The following table contains details of all of the financial instruments that TSE holds at 31 March 2022 which reference GBP LIBOR and have not yet transitioned to SONIA or an alternative interest rate benchmark:

Assets and Liabilities exposed to GBP LIBOR

	Carrying value at 31 March 2022		Of which: Have yet to transition to an alternative benchmark interest rate at 31 March 2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Financial Assets	1,555	-	-	-
Financial Liabilities	-	(4,217)	-	(50)
Total assets and liabilities exposed to GBP LIBOR	1,555	(4,217)	-	(50)

There is no significant exposure to other interest rate benchmarks proposed to be amended or replaced as part of the IBOR reforms.

III New Standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following Standards, which are relevant to the Group's reporting but have either not been applied as they have not been adopted for use under UK-adopted international accounting standards in the year ended 31 March 2022, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 17	Insurance Contracts	1 Jan 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
IAS 1 (Amendments)	Disclosure of Accounting Policies	1 Jan 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 Jan 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 Jan 2023
IAS 37 (Amendments)	Onerous Contracts—Cost of Fulfilling a Contract	1 Jan 2022
IAS 16 (Amendments)	Proceeds before Intended Use	1 Jan 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 Jan 2022
IFRS 1, IFRS 9 Illustrative Example 13 of IFRS 16 and IAS 41 (Amendments)	Annual Improvements to IFRS Standards 2018–2020	1 Jan 2022**

** periods commencing on or after*
*** except for the amendment to IFRS 16 for which no effective date is stated as it regards only an illustrative example*

Management have performed a review of the expected impact from other standards and interpretations not applied as shown above. Management do not expect a material impact as a result of other new standards and interpretations not applied.

IV Use of estimates and critical accounting judgements

In the application of the Group's accounting policies, which are described in section V, the directors 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 Group's accounting policies

The critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are presented below.

1) Definition of cash generating units ('CGU')

A significant part of the Group's capital is invested in property, plant and equipment and intangible assets (including goodwill). Determining whether these assets are impaired requires an estimation of value in use of the CGU to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the Group these are usually taken to be individual hubs/businesses or legal entities, although these are combined or split into base entities where deemed appropriate to reflect the specific economic risks or operational inter-dependence of particular locations and operations based on the governance structure and lines of reporting. This process of defining CGU's requires the exercise of significant judgement.

Following the formal separation of TSE into a UK and MLE value chain on 1 October 2021, the definition of some specific CGUs in TSE used for the impairment testing of PPE and goodwill at 31 March 2022 has been updated. There is a significant change in the governance structure of the Group with the formation of a separate UK and MLE executive and leadership team as well as associated changes to reporting and processes. Under IAS 36 cash generating units should be identified consistently from period to period for the same asset or types of assets, unless a change is justified. As a result of the separation of TSE two specific changes to CGUs have been identified:

1. Previous Packaging NL and Strip MLE CGU's are merged into a single CGU to reflect the combination of these two former units into the "Business Unit IJmuiden" management structure.
2. All UK based operations are combined as part of the Tata Steel UK Limited ('TSUK') legal structure to reflect the fact that following separation the UK Value Chain is all under common management rather than operating as separate businesses.

All other CGUs remain unchanged from previous periods.

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) Impairment of non-current assets

Value in use and fair value less costs to sell calculations require an estimation of future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The present value is sensitive to changes in the discount rate used in the models, the forecast profitability of the Group in the third year of the Group's Annual Plan, and the expected impact of decarbonisation on the Group. Further details on the Group's impairment review, key assumptions, and sensitivity analyses are set out in notes 8, 9 and 10. In respect of impairment of investments in the Company accounts, judgement is required around the relevant investment carrying value of the TSE Group.

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 Group's annual plans and future forecasts. Further information can be found in note 13.

3) Post-retirement benefits

The Group's retirement benefit obligations are assessed by selecting key assumptions. The selection of inflation 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 Group sets these judgements with close reference to market conditions and third party actuarial advice.

The Group's defined benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

The Group's main defined benefit scheme, being BSPS in the UK, is in a net surplus position at the balance sheet date on an IAS 19 basis. The surplus in the BSPS is not immediately realisable. The final amount realised may differ from the amount recognised in the balance sheet. Further details on the Group's retirement benefit obligations, including a sensitivity analysis of key judgements are included within note 21.

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

V Critical accounting policies

(a) Property, plant and equipment

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

to profit and loss as incurred. Assets in the course of construction are depreciated from the date on which they are ready for their intended use.

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

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

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

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

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

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

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

At each reporting period end, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets (including goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use.

If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

(c) Taxation

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

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

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

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

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

(d) Retirement benefit costs

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

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

The retirement benefit asset or liability recognised in the balance sheet represents the fair value of scheme assets less the present value of the defined benefit obligation, plus the present value of available refunds and reductions in future contributions to the plan.

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined pension scheme, the BSPS. This provides additional clarity on the role of Trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. Based on the BSPS scheme rules as at 31 March 2022 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(e) Provisions

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

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

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

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

VI Other accounting policies

(a) Basis of consolidation

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

(b) Business combinations

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

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

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

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

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through

continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Group must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

(d) Revenue

The Group'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 Group's performance obligation occur at the same time. Revenue from the sale of goods is recognised when the Group 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 Group will collect the consideration to which it is entitled to in exchange for the goods.

The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The steel is sometimes 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 normally 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 Group does not 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 Group does not adjust any of the transaction prices for the time value of money.

(e) Government grants

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

(f) Insurance

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

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

(h) Foreign currencies

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

the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions.

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

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

(i) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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. Where the Group transfers substantially all the risks and rewards of ownership of a financial asset, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities. This includes arrangements where the Group securitises trade receivables on a non-recourse basis.

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 Group 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 Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

For all other financial instruments and in the case of the company intercompany receivables, the Group 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 Group 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.

Even when credit losses are recognised, amounts are only fully written off once all possibility of recoverability has been extinguished.

(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 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 Group uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange, base metal prices, carbon emission rights and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts, forward rate agreements, interest rate swaps and London Metal Exchange (LME) contracts. The instruments are employed as economic hedges of

transactions included in the accounts or forecast for firm contractual commitments. Contracts do not generally extend beyond 6 months, except for certain interest rate swaps and commodity contracts.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value. For forward currency contracts, interest rate swaps and commodity contracts the fair values are determined based on market forward rates at the end of the reporting period. The Group seeks to adopt hedge accounting for these currency, interest rate, carbon emission right and commodity contracts. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. 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 Group 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.

(j) Other intangible assets

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

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

(i) completion of the development is technically feasible;

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

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

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

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

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

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

Where the Group purchases emission rights from an emission trading scheme, it recognises these as an intangible asset, and values the asset at cost. No amortisation is recognised, provided that the Group intends to utilise the asset to settle emission rights liabilities.

(k) Leases

As a lessee, the Group assesses if a contract is or contains a lease at the inception of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date, except for short-term leases of twelve months or less and leases for which the underlying asset is low value, which are expensed in the consolidated income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. The incremental borrowing rate is calculated with reference to the businesses cost of funding, length of the lease and the suitability of the assets to leasing.

Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension options, if the Group is reasonable certain to exercise the option. Lease liabilities are classified as part of borrowings.

The associated right-of-use asset is capitalised equal to the lease liability and disclosed together with property, plant and equipment. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. Right-of-use assets are also subject to testing for impairment if there is an indicator for impairment.

Variable lease payments not included in the measurement of the lease liabilities are expensed in the consolidated income statement in the period in which the events or conditions which trigger those payments occur.

As a lessor, the Group recognises leases at cost which are then amortised over the life of the leases with interest recognised as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. These leases relate to property and vessels that are sublet in relation to the head lease. The risk associated with any rights retained in the underlying asset is managed via safeguards within the sub lease contract and vetting and monitoring of lessees.

(l) Joint ventures, joint operations and associates

The results and assets and liabilities of joint ventures and associates are incorporated in the accounts using the equity method of accounting, except where classified as held for sale.

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

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

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

(m) Inventories

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

(n) 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.

(o) Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into sterling using average exchange rates, approximating the foreign exchange rate at transaction date. Exchange rate differences on cash items are shown separately in the cash flow statement.

Receipts and payments with respect to income tax and interest are included in the cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the cash flow statement in the same category as those of the hedged item. Purchases and sales of carbon emission rights are included within cash flows from operating activities.

For the financial year ended 31 March

1. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major geographic regions. Substantially all revenue is derived from the sale of goods. This disaggregation is consistent with the information regularly reviewed by the management teams of TSE's businesses in order to evaluate financial performance.

	2022 £m	2021 £m
Revenue by destination:		
UK	**2,013**	1,211
The Netherlands	**848**	556
Europe excluding UK and The Netherlands	**4,801**	3,088
North America	**856**	546
Rest of the world	**358**	372
	8,876	5,773

2. Operating costs

	2022 £m	2021 £m
Costs by type:		
Raw materials and consumables	**4,301**	2,797
Maintenance costs (excluding own labour)	**635**	545
Other external charges (including fuels & utilities, hire charges and carriage costs)	**1,233**	795
Employment costs (Note 4)	**1,445**	1,250
Depreciation, amortisation and impairments (Notes 8 and 9)	**247**	406
Grants relating to property, plant and equipment released (Note 25)	**(1)**	(1)
Other operating items (including rents, rates, insurance and general expenses)	**611**	494
Changes in inventory of finished goods and work in progress	**(498)**	8
Own work capitalised	**(34)**	(34)
Profit on disposal of property, plant and equipment	**(8)**	(16)
Loss on disposal of group undertakings (Note 33)	**8**	16
Loss on impairment of asset held for sale (Note 18)	**9**	-
	7,948	6,260

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals (i) £m	**Total £m**
The above cost in 2022 include:			
Raw materials and consumables	4,301	-	**4,301**
Maintenance costs (excluding own labour)	635	-	**635**
Other external charges (including fuels & utilities, hire charges and carriage costs)	1,233	-	**1,233**
Employment costs (Note 4)	1,419	26	**1,445**
Depreciation, amortisation and impairments (Notes 8 and 9)	232	15	**247**
Grants relating to property, plant and equipment released (Note 25)	(1)	-	**(1)**
Other operating items (including rents, rates, insurance and general expenses)	611	-	**611**
Changes in inventory of finished goods and work in progress	(498)	-	**(498)**
Own work capitalised	(34)	-	**(34)**
Profit on disposal of property, plant and equipment	-	(8)	**(8)**
Loss on disposal of group undertakings (Note 33)	-	8	**8**
Loss on impairment of asset held for sale (Note 18)	-	9	**9**
	7,898	50	7,948

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

	2022 £m	2021 £m
The above costs are stated after including:		
Amortisation of other intangible assets (Note 8)	**11**	16
Depreciation of owned assets (Note 9)	**170**	183
Depreciation of assets held under leases	**49**	55
Impairment losses relate to other intangible assets (Note 8)	**1**	1
Impairment losses related to property, plant and equipment (Note 9)	**12**	93
Impairment losses related to spares (Note 9)	**2**	58
Net exchange rate gains	**11**	(6)
Expenses relating to low value leases	**1**	1
Expenses relating to variable lease payments not included in lease liabilities	**75**	54
Income from subleasing	**(2)**	(5)
Costs of research and development (gross)	**51**	50
Recoveries on research and development	**(3)**	(3)
Profit on release of grants (Note 25)	**(1)**	(2)
Income on emissions rights sales	**-**	(135)
Charge on provision for emissions rights deficit	**162**	286
Impairments against trade receivables (Note 15 (ii))	**2**	3

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

	2022 £m	2021 £m
Fees payable to the Group's auditors and their associates for the audit of the Group	**2.0**	2.0
Audit-related assurance services	**0.5**	0.7
Taxation services	**-**	-
Total non-audit fees	**0.5**	0.7
Total Group auditors' remuneration	**2.5**	2.7

Fees payable in respect of the audit of the Company were £10,000 (2021: £10,000). Fees payable for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees payable in respect of audit-related assurance services of £0.5m (2021: £0.7m) primarily relate to quarterly reviews undertaken by the Group's auditors.

3. Net restructuring and impairment costs

	2022 £m	2021 £m
Provision for restructuring and related measures:		
Redundancy and related costs	**23**	12
Pension restructuring costs (Note 21)	**3**	-
Impairment losses related to property, plant and equipment (Note 9)	**13**	93
Impairment losses related to spares (Note 9)	**1**	58
Impairment losses related to intangible fixed assets (Note 8)	**1**	1
Other rationalisation costs	**-**	1
	41	165
Credits for restructuring and related measures:		
Other rationalisation costs	**-**	(6)
Redundancy and related costs	**-**	(1)
	-	(7)
Total net restructuring and impairment costs	**41**	158

The provision for redundancy and related costs of £23m (2021: £11m) related to restructuring measures across a number of units within the Group.

4. Employees

	2022 £m	2021 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**1,175**	1,012
Social security costs	**141**	144
Pension costs (Note 21)	**103**	83
Pension restructuring costs (Note 21)	**3**	-
Redundancy and related costs (Note 3)	**23**	11
	1,445	1,250

(i) During the current year as a result of the COVID 19 pandemic, TSE received nil (2021: £61m) in relation to employment support from Governments in the countries in which it operates. These amounts were credited from the total wages and salaries expense.

(ii) The average number of employees during the year was 20,100 (2021: 20,100). This total includes operations staff of 16,800 (2021: 16,700), sales and marketing staff of 1,000 (2021: 1,100) and other staff of 2,300 (2021: 2,300).

(iii) Directors' remuneration

The total employment costs of the directors in the Group were:	2022 £m	2021 £m
Short term employee benefits	**1.6**	1.8
Other long term benefits	**1.1**	-
Compensation for loss of office	**1.2**	-

There are no retirement benefits accruing to any directors under defined benefit schemes (2021: nil).

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

(iv) Highest paid director

Total amount of emoluments:	2022 £m	2021 £m
Short term employee benefits	**0.9**	1.0
Other long term benefits	**0.7**	-

There is no accrued lump sum falling due under a defined benefit pension scheme (2021: nil).

(v) The Company has no employees. No director received any remuneration during the year in respect of their services to the Company (2021: nil).

5. Financing items

	2022 £m	2021 £m
Interest expense:		
Bank and other borrowings	**57**	82
Accelerated amortisation of interest costs due to prepayment of SFA (i)	**72**	-
Interest on leases	**15**	15
Interest on loans from immediate parent company (Note 34)	**23**	2
Interest on loans from other Group companies (Note 34)	**18**	50
Discount on disposal of trade receivables within purchase agreement with external companies	**7**	5
Finance costs	**192**	154
Interest income:		
Cash and short-term deposits and short-term investments	**(2)**	(2)
Unwind of effective interest on deferred proceeds	**(1)**	(2)
Other interest income	**(4)**	-
Lease	**-**	(1)
Gain from investments	**(4)**	-
Gain on waiver of interest (ii)	**(36)**	-
Finance income	**(47)**	(5)
	145	149

(i) During the year TSE made early repayments against the Senior Facilities Agreement ('SFA') of €565m in June 2021 (€410m full repayment of facility A and €155m part repayment of Facility B) and €715m in October 2021 (part repayment against Facility B). As a result of these prepayments TSE has recognised accelerated interest and transaction costs of £68m and £4m respectively. For further details see note 19.

(ii) A gain of £36m has been recognised in the year in relation to a waiver of interest owed from TSE's immediate parent company.

6. Taxation

	2022 £m	2021 £m
UK current year charge	**1**	1
Overseas current year charge	**21**	5
UK prior year credit	**(3)**	-
Overseas prior year credit	**2**	(3)
Current tax charge	**21**	3
UK deferred tax	**(123)**	186
Overseas deferred tax	**16**	(25)
Total tax (credit)/charge	**(86)**	164

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

	2022 £m	2021 £m
Profit/(loss) before taxation	**796**	(629)
Profit/(loss) multiplied by the applicable corporation tax rate of 24.24% (2021: 21.56%)	**193**	(136)
Effects of:		
Re-measurement of deferred tax balances arising from changes in tax rates	**(29)**	(15)
Adjustments to current tax in respect of prior periods	**(3)**	(3)
Adjustments to deferred tax in respect of prior periods	**1**	-
Utilisation of tax losses not previously recognised	**(124)**	(6)
Previously unrecognised tax losses that are expect to be used in the future	**(133)**	-
De-recognition of previously recognised losses	**-**	207
Current year temporary differences (including losses) that are not expected to be used	**12**	113
Other permanent differences	**(3)**	4
Total tax (credit)/charge	**(86)**	164

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

Remeasurement of deferred tax balances arising from changes in tax rates of £29m represents the remeasurement of Dutch deferred tax assets following the enactment on 21 December 2021 of an increase in the Dutch corporate income tax rates, effective from 1 January 2022, and the remeasurement of UK deferred tax assets following the enactment on 24 May 2021 of an increase in the UK corporate income tax rates, effective from 1 April 2023. The prior year charge of £15m represents a charge following an increase in the Dutch corporate income tax rates, enacted on 15 December 2020 and effective from 1 January 2021.

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

	2022 £m	2021 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	**(12)**	187
Revaluation of financial instruments treated as cash flow hedges	**(16)**	(7)
	(28)	180

7. Goodwill

As at 31 March	**2022** £m	2021 £m
Cost and net book value	**405**	405

The total net book value predominantly relates to the goodwill that arose on the acquisition of Corus Group PLC ('Corus') and has been tested in the current year against the recoverable amount of the Business Unit IJmuiden CGU and in the prior year against the recoverable amount of the Strip Products Mainland Europe CGU. Business Unit IJmuiden is the CGU that contains the steelmaking facilities at IJmuiden and forms the major part of the TSN business. For a description as to why the CGUs have changed during the year please see Critical Judgements in Applying the Group's Accounting Policies on page 47. This goodwill related to expected synergies from combining Corus' activities with those of TSL and assets which could not be recognised as separately identifiable intangible assets. Goodwill acquired through this and other acquisitions is tested annually for impairment or more frequently if there are any indications that goodwill may be impaired.

A value in use (VIU) calculation has been prepared to consider the recoverable amount of the Business Unit IJmuiden CGU. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, energy costs, exchange rates, and a pre-tax discount rate of 8.4% (2021: 8.1%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources.

In preparing the value in use calculation TSE has considered the effect that climate related risks may have on its future cash flow generation. Included within the cash flow forecasts are estimates for costs of compliance under the EU Emissions Trading Scheme based on the Group's estimated shortfall between free allowances under the scheme and actual emissions. The forecasts also consider the ability of the Group to mitigate these costs, primarily through the successful introduction of a CO2 surcharge which has reduced uncertainty in regards to fluctuation in CO2 costs on the profitability of the Group over the 3 year plan period.

The BU IJmuiden CGU may also incur additional costs in the future under a Netherlands specific carbon tax regime which has the effect of supplementing the price of EU emissions allowances (EUA's) in the EU ETS if they fall below a pre-determined, and increasing, annual threshold. Given the current price of EUA's and expected free allowances, the Netherlands specific carbon tax is not expected to apply to the BU IJmuiden CGU during the 3 years covered by the approved financial budgets and strategic forecasts. The extent of such costs in the longer term is uncertain given the relationship with the price of the EUA's, actual emissions (including the effect of decarbonisation investments), and a changing regulatory landscape (such as the proposed EU carbon border adjustment mechanism). In all cases TSE expects any future costs of the Netherlands specific carbon tax to be mitigated through a variety of different means including the ability to pass these costs via the CO2 surcharge or in the longer term via decarbonisation of the asset base.

In the long term European countries including the Netherlands have legal requirements to reach net zero by 2050 and whilst these requirements may not place any obligation on TSE to contribute to those goals, the increased focus and clear direction from politicians and society means that TSE may face these legal obligations at some point in time. As such, decarbonisation is central to the long term strategy of TSE which has set out its ambitions to be carbon neutral by 2050.

During the year TSN announced that it aims to pursue the DRI route for making iron using natural gas or hydrogen and is currently exploring the options for implementing this and how such investments could be financed. Irrespective of the choice of technology, TSE's MLE business still aims to be producing a combined c. 7mt of steel post decarbonisation, is not currently envisioning any changes to their downstream steel making capability, and aims to continue to serve the same markets by offering its customers the low carbon steel products they require.

However, the technological shift required to enable the transition to carbon neutral steel will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. EU Carbon Border Adjustment Mechanism), and other government legislation. TSE ultimately expects the cost for decarbonisation not to be borne by the steel industry but by society, either through higher steel selling prices or through government intervention whereby investments in decarbonisation are enabled through government assistance. Given the uncertainties around decarbonisation, TSE's best estimate is that these significant investments should not be factored into the VIU projections at the current time.

Given the uncertainties around decarbonisation, initial modelling has also been prepared to consider the potential impact of decarbonisation by considering an alternative fair value less costs to sell (FV) model for the BU IJmuiden CGU. The FV model uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to perpetuity which includes capital expenditure for decarbonisation as well as estimated changes to EBITDA due to operating those assets . Key assumptions for the FV model are expected changes to selling prices and raw material costs, EU steel demand, energy costs, exchange rates, the amount of capital expenditure needed for decarbonisation, the changes to EBITDA resulting from producing and selling low CO2 steel, and a post-tax discount rate of 6.3%. The estimates for future capital expenditure for decarbonisation is based on management's internal estimates of implementing the DRI route as well as management's view as to what level of government support may be available.

The FV model considers the impact of decarbonisation on capital expenditure and EBITDA in the event that decarbonisation projects were to become committed in future years. In such a case, whilst there may be some impact on certain assets (e.g. any NBV on assets which were to be taken out of service may need to be impaired or depreciated over a shorter period of time), the headroom in the FV model is very similar to the headroom in the VIU model given that there is no expectation of a significant reduction in profitability resulting from the decarbonisation of the steel making assets. The key assumptions which support this view are:

- The expectation that government support will be provided to TSN for the initial capital expenditure on decarbonisation assets,
- The national government will invest in infrastructure to support the new steel making technology in order to enable the Netherlands to transition to net zero (e.g. hydrogen infrastructure, or increased renewables to support green electricity supply),
- The policy environment in the Netherlands and the EU is supportive to the European steel industry and that the Netherlands wishes to retain a domestic steel industry, and
- Demand for steel will increase from the transition to net zero (e.g. more projects which require steel) and customers will be willing to pay a higher premium for steel which has lower CO2 content.

If any of the above key assumptions were to change then there is a risk that the headroom in the FV model would reduce and that the reduction in the headroom could be sizeable leading to significant impairments of goodwill and PPE. However, TSE believes the key assumptions made represent the most likely impact from decarbonisation at this point in time. These key assumptions will be kept under review in future years especially if investments in decarbonisation capital expenditure become committed.

For the value in use model a nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until the fifteenth year, at which point a 1.8% growth rate is used on future cashflows into perpetuity. The pre-tax discount rate of 8.4% (2021: 8.1%) is derived from the Group's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. For the FV model a nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until 2040, at which point a 1.8% growth rate is used on future cashflows into perpetuity. The post-tax discount rate of 6.3% is derived from the Group's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. The outcome of the Group's goodwill impairment test as at 31 March 2022 for the BU IJmuiden CGU resulted in no impairment of goodwill (2021: £nil).

The Group has conducted sensitivity analysis on the impairment test of the carrying value of the BU IJmuiden CGU (including both goodwill and property, plant and equipment). The directors believe that no reasonable possible change in any of the key assumptions used in either the VIU or the FV calculation would cause the carrying value of the goodwill to materially exceed its value in use. At 31 March 2022 the value in use exceeded the carrying value of the CGU by £1,707m under the VIU model and by £1,657m under the FV model.

8. Other intangible assets

Group:

2022	Computer software £m	Development costs £m	Patents and Trademark £m	Emission Rights £m	Total £m
Cost as at 1 April 2021	334	30	1	24	**389**
Additions	4	-	-	-	**4**
Disposals	(5)	-	-	(24)	**(29)**
Reclassification	5	-	-	-	**5**
Exchange rate movements	(1)	-	-	-	**(1)**
Cost as at 31 March 2022	337	30	1	-	**368**
Amortisation as at 1 April 2021	241	30	1	-	**272**
Charge for the period	11	-	-	-	**11**
Impairment for the period	1	-	-	-	**1**
Disposal	(5)	-	-	-	**(5)**
Reclassification	5	-	-	-	**5**
Exchange rate movements	(1)	-	-	-	**(1)**
Amortisation as at 31 March 2022	252	30	1	-	**283**
Net book value as at 31 March 2022	85	-	-	-	**85**

Group:

2021	Computer software £m	Development costs £m	Patents and Trademark £m	Emission Rights £m	Total £m
Cost as at 1 April 2020	332	30	1	-	363
Additions	6	-	-	25	31
Exchange rate movements	(4)	-	-	(1)	(5)
Cost as at 31 March 2021	334	30	1	24	389
Amortisation as at 1 April 2020	227	30	1	-	258
Charge for the period	15	1	-	-	16
Impairment for the period	-	1	-	-	1
Exchange rate movements	(1)	(2)	-	-	(3)
Amortisation as at 31 March 2021	241	30	1	-	272
Net book value as at 31 March 2021	93	-	-	24	117

The remaining amortisation period for computer software is approximately 4 years (2021: 5 years).

9. Property, plant and equipment

2022	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2021	899	4,270	240	745	**6,154**
Additions	3	21	44	244	**312**
Disposals	(29)	(91)	(32)	-	**(152)**
Exchange rate movements	(3)	(15)	1	(3)	**(20)**
Transfers to held for sale	(6)	(30)	-	(2)	**(38)**
Transfers	57	255	(1)	(311)	**-**
Cost or valuation as at 31 March 2022	921	4,410	252	673	**6,256**
Depreciation as at 1 April 2021	365	3,243	130	34	**3,772**
Charge for the period	35	160	26	-	**221**
Impairment losses recognised during the period	2	4	-	6	**12**
Disposals	(20)	(92)	(28)	-	**(140)**
Exchange rate movements	-	(10)	-	1	**(9)**
Transfers to held for sale	(6)	(30)	-	(1)	**(37)**
Transfers	3	(3)	2	(2)	**-**
Depreciation as at 31 March 2022	379	3,272	130	38	**3,819**
Net book value as at 31 March 2022	542	1,138	122	635	**2,437**
Spares (net book value)					**125**
Net book value as at 31 March 2022					**2,562**

The additions to the right-of-use assets during the 2022 financial period were £16m (2021: £130m).

2021	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2020	926	4,323	241	737	6,227
Additions	9	126	46	244	425
Disposals	(24)	(226)	(42)	-	(292)
Exchange rate movements	(33)	(142)	(6)	(25)	(206)
Transfers	21	189	1	(211)	-
Cost or valuation as at 31 March 2021	899	4,270	240	745	6,154
Depreciation as at 1 April 2020	365	3,308	142	42	3,857
Charge for the period	36	175	27	-	238
Impairment losses recognised during the period	10	78	2	3	93
Disposals	(29)	(223)	(39)	-	(291)
Exchange rate movements	(17)	(104)	(2)	(2)	(125)
Transfers	-	9	-	(9)	-
Depreciation as at 31 March 2021	365	3,243	130	34	3,772
Net book value as at 31 March 2021	534	1,027	110	711	2,382
Spares (net book value)					**92**
Net book value as at 31 March 2021					**2,474**

Consistent with the annual test for impairment of goodwill as at 31 March 2022 (Note 7), property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. During the year some changes have been made to the definition of CGU's. For a description as to why the CGUs have changed during the year please see Critical Judgements in Applying the Group's Accounting Policies on page 47. The outcome of this test indicated that using a pre-tax discount rate of 8.4% (2021: 8.1%) for all countries except for the UK where a pre-tax discount rate of 9.3% was used (2021: 8.7%) only the Tubes Netherlands CGU had a value in use which was lower than its carrying value. Accordingly, an impairment charge of £2m has been recognised during the year against this CGU with an additional impairment charge of £10m recognised against previously impaired CGU's for which expenditure is impaired as soon as incurred on those specific assets.

In the prior year an impairment charge of £151m was recognised against the Group's CGUs of which £58m is in relation to spares. This mainly relates to the Strip Products UK CGU where property, plant and equipment has been impaired by £113m. Impairments were also recognised against various other CGU's and specific assets of £38m.

The Group has conducted sensitivity analysis on the impairment tests of the carrying value of the Group's CGUs and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the property, plant and equipment at the TSUK CGU which had a carrying value at 31 March 2022 of £550m. An increase in the discount rate used for impairment testing of 1% would result in an decrease of £125m in the headroom of the value in use above the carrying value of the PPE leaving the revised headroom at £14m. A €5/t decrease to the spread assumption used in the third year of the Group's value in use forecast would result in a decrease of £139m in the headroom of the value in use above the carrying value of the PPE leaving the revised headroom at nil. The directors also considered whether to reverse the impairment in the prior year in the TSUK CGU given the improved steel market conditions in 2022. However the directors concluded that it was too early to reverse any impairment charges given steel is a cyclical industry and the headroom on the value in use model for the current year is relatively low and susceptible to a reasonable amount of sensitivity as stated above.

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

(i)

As at 31 March	**2022 £m**	2021 £m
The net book value of land and buildings comprises:		
Freehold	**400**	375
Long leasehold (over 50 years unexpired)	**11**	9
Short leasehold	**131**	150
	542	534
Right of use assets not subject to operating leases		
Cost	**248**	245
Accumulated depreciation	**(106)**	(86)
	142	159
Owned assets	**400**	375
	542	534

(ii)

As at 31 March	**2022 £m**	2021 £m
The net book value of plant and machinery comprises:		
Right of use assets subject to operating leases:		
Cost	**-**	16
Accumulated depreciation and impairment losses	**-**	(15)
	-	1
Right of use assets not subject to operating leases:		
Cost	**277**	270
Accumulated depreciation and impairment losses	**(145)**	(122)
	132	148
Owned assets	**1,006**	879
	1,138	1,027

(iii)

As at 31 March	**2022 £m**	2021 £m
The net book value of spares comprises:		
Cost	**543**	506
Accumulated depreciation and impairment losses	**(418)**	(414)
	125	92

(iv) There was £nil (2021: £nil) borrowing costs capitalised in the period.

10. Equity accounted investments

Group:

As at 31 March	Interests in joint ventures £m	Investments in associates £m	2022 Total £m	2021 Total £m
Cost				
At beginning and end of period	9	10	**19**	19
Post acquisition reserves				
Share at beginning of period	9	6	**15**	19
Share of retained results in the period	8	5	**13**	(3)
Exchange rate movements	(1)	(1)	**(2)**	(1)
Share at end of period	16	10	**26**	15
Net book value at end of period	25	20	**45**	34
Net book value at beginning of period	18	16	**34**	38

(i) The Group's equity accounted investments are listed in Note 37.

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

As at 31 March	2022 £m	2021 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	**24**	23
Current assets	**24**	16
Current liabilities	**(16)**	(14)
Non-current liabilities	**(7)**	(7)
Group's share of net assets	**25**	18
Share of the revenue and expenses of the Group's joint ventures:		
Revenue	**58**	44
Expenses	**(50)**	(43)
Group's share of joint ventures' profit for the period after taxation	**8**	1
Dividends received	**-**	(5)
Group's share of retained results in the period	**8**	(4)

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

As at 31 March	2022 £m	2021 £m
Summarised balance sheet information:		
Total assets	**110**	85
Total liabilities	**(47)**	(33)
Net assets	**63**	52
Group's share of net assets	**20**	16
Summarised income statement information:		
Revenue	**367**	232
Profit for the period	**13**	9
Group's share of associate's profit for the period after taxation	**5**	3
Dividends received	**-**	(2)
Group's share of retained results in the period	**5**	1

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

	2022 £m	2021 £m
Group's share of joint ventures' profit for the period	**8**	1
Group's share of associates' profit for the period	**5**	3
Sale adjustment (v)	**-**	3
Share of post-tax results of joint ventures and associates	**13**	7

Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2021	9,974	200	**10,174**
Additions	842	465	**1,307**
Reclassification following debt to equity conversion	615	(615)	**-**
Cost at 31 March 2022	11,431	50	**11,481**
Impairment as at 1 April 2021 and 31 March 2022	6,208	-	**6,208**
Net book value at 31 March 2022	**5,223**	**50**	**5,273**
Net book value at 31 March 2021	3,766	200	3,966

The Company's subsidiaries and investments are listed in Note 37 of the consolidated accounts.

The carrying values of the Company's investments are tested annually for impairment using an enterprise value ('EV') calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out into perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and a pre-tax discount rate of 8.4% (2021: 8.1%), except for UK businesses where a pre-tax discount rate of 9.3% (2021: 8.7%) has been used. Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The pre-tax discount rate is derived from the Group's WACC and the WACCs of its main European steel competitors adjusted for country specific risks where appropriate. The outcome of the test at 31 March 2022 resulted in £nil impairment (2021: £nil) in the value of the Company's equity investment in Tulip UK Holdings No.2 Limited.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's investment in Tulip UK Holdings No. 2 Limited ('Tulip 2'). Due to the headroom within the current analysis, it is deemed that no reasonable change in assumptions would result in an impairment being recognised in the Company's investment in Tulip 2.

11. Other investments

	Loans and receivables £m	Sublease investments £m	Investments £m	2022 Total £m	2021 Total £m
Carrying value as at 1 April	8	3	7	**18**	**39**
Additions	1	-	5	**6**	**4**
Exchange rate differences	-	-	-	**-**	**(1)**
Disposals	(2)	(3)	(6)	**(11)**	**(17)**
Impairments	-	-	-	**-**	**(7)**
Carrying value as at 31 March	7	-	6	**13**	**18**

There has been no impairment recognised during the year (2021: £7m)

None of the loans and receivables or investments at Fair Value Through Other Comprehensive Income (FVTOCI) are either overdue or impaired.

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

	2022			2021		
	Fixed rate long-term financial assets £m	**Floating rate long-term financial assets £m**	**Total £m**	Fixed rate long-term financial assets £m	Floating rate long-term financial assets £m	Total £m
Sterling	**4**	**4**	**8**	5	5	10
USD	**-**	**-**	**-**	2	-	2
Euros	**5**	**-**	**5**	6	-	6
	9	**4**	**13**	13	5	18
Disclosed as:						
Sublease Investments	**-**	**-**	**-**	3	-	3
Loans and receivables	**7**	**-**	**7**	8	-	8
Investments	**2**	**4**	**6**	2	5	7

	2022		2021	
	Weighted average effective fixed interest rate %	**Weighted average time for which rate is fixed Years**	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	**7.5**	**3.2**	7.3	3.0

(ii) Maturities of sublease investments are as follows:

	Finance Leases		Operating Lease	
As at 31 March	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Within one year	**-**	2	**-**	1
Between one and two years	**-**	1	**-**	-
	-	3	**-**	1

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

As at 31 March	**2022 £m**	2021 £m
Within one year	**4**	1
Between one and two years	**1**	4
Between two and five years	**2**	2
Greater than five years	**1**	2
No contractual maturity date	**5**	6
	13	15

12. Long term receivables

	2022 £m	2021 £m
Deferred proceeds on sale of business	**2**	4
	2	4

13. Deferred tax assets

	2022 £m	2021 £m
Deferred tax assets	**260**	135
Deferred tax liabilities	**(47)**	-
Net Deferred tax	**213**	135

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

2022	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2021	148	269	(370)	2	53	39	(6)	**135**
Credited/(charged) to income statement	51	154	(115)	-	15	(12)	14	**107**
Exchange rate movements	-	-	-	-	-	-	(1)	**(1)**
Charged to other comprehensive income	-	-	(12)	-	-	-	(16)	**(28)**
At 31 March 2022	**199**	**423**	**(497)**	**2**	**68**	**27**	**(9)**	**213**

2021	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2020	142	359	(525)	3	36	105	1	**121**
Credited/(charged) to income statement	4	(86)	(31)	(1)	19	(65)	(1)	**(161)**
Exchange rate movements	2	(4)	(1)	-	(2)	(1)	1	**(5)**
Credited/(charged) to other comprehensive income	-	-	187	-	-	-	(7)	**180**
At 31 March 2021	**148**	**269**	**(370)**	**2**	**53**	**39**	**(6)**	**135**

Deferred tax assets of £260m (2021: £135m) have been recognised at 31 March 2022. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSE Board approved budgets and forecasts. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. This includes, in the UK, the recognition of a deferred tax asset of £104m (2021: nil) following the return to profitability of TSUK and a balance sheet restructuring where debt was replaced by equity. When determining the level of taxable profits expected to be earned in future periods for this entity, board approved forecasts have been used to cover the next three years with forecasts for years subsequent to this being based on the same forecasts as used in the value in use models for PPE impairment testing but with the application of an increasing 'uncertainty factor' to reflect the fact that profits may not be as probable the further into the future the forecast extends. The Group has performed sensitivity analysis on the calculation for the UK deferred tax asset which shows that increasing the 'uncertainty factor' by 5% would have resulted in a lower deferred tax asset of £86m and decreasing the 'uncertainty factor' by 5% would have resulted in a higher deferred tax asset of £125m.

Deferred tax assets have not been recognised in respect of total tax losses of £3,210m (2021: £4,241m). These losses comprise UK losses of £2,920m (2021: £3,361m) and non-UK losses of £290m (2021: £880m). All unrecognised losses currently do not carry an expiry date.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £69m (2021: £76m), which do not carry an expiry date.

During 2021 management took the decision to write off historical UK losses of £304m and UK interest deductions of £735m which had arisen from overseas debt and unlikely to be utilised in the near future due to their intended disposal as part of corporate simplification exercise.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £288m (2021: £244m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

During 2021 changes were made to increase the Dutch tax rate to 25.8% from 1 January 2022 and the UK tax rate to 25% from 1 April 2023. These revised rates have been used to calculate the deferred tax assets and liabilities as at 31 March 2022. Similarly, during 2020 changes were made to increase the Dutch tax rate to 25% from 1 January 2021 which have been used to calculate the Dutch deferred tax assets and liabilities as at 31 March 2021.

Of the net deferred tax asset of £213m as at 31 March 2022, £33m is expected to be utilised within the next 12 months.

14. Inventories

As at 31 March	2022 £m	2021 £m
Raw materials and consumables	**902**	478
Work in progress	**647**	433
Finished goods and goods for resale	**724**	458
	2,273	1,369

The value of inventories above is stated after impairment of £43m (2021: £65m) for obsolescence and write-downs to net realisable value.

15. Trade and other receivables

Group:

As at 31 March	2022 £m	2021 £m
Trade receivables	**764**	480
Less provision for impairment of receivables	**(4)**	(6)
	760	474
Amounts owed by ultimate parent company (Note 34)	**4**	4
Amounts owed by other Group companies (Note 34)	**33**	14
Amounts owed by joint ventures (Note 34)	**4**	7
Amounts owed by associates (Note 34)	**21**	12
Derivative financial instruments (Note 24)	**103**	35
Other taxation	**19**	13
External interest receivable	**-**	2
Prepayments	**24**	38
Deferred proceeds on sale of business	**8**	16
Deferred proceeds on PPE disposals	**4**	-
Other receivables	**84**	68
	1,064	683

(i) Trade receivables are further analysed as follows:

As at 31 March 2022	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	**662**	**(603)**	**-**	**59**
One month overdue	**62**	**(58)**	**-**	**4**
Two months overdue	**14**	**(13)**	**-**	**1**
Three months overdue	**-**	**-**	**-**	**-**
Greater than three months overdue	**26**	**(20)**	**4**	**2**
	764	**694**	**4**	**66**

As at 31 March 2021	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	400	(369)	-	31
One month overdue	40	(37)	-	3
Two months overdue	16	(14)	-	2
Three months overdue	3	(3)	-	-
Greater than three months overdue	21	(13)	(6)	2
	480	(436)	(6)	38

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2022 to be £66m (2021: £38m), which is the fair value of trade receivables (after impairment provisions) less those that are subject to credit insurance cover as shown in the table above. The other classes of financial assets within trade and other receivables do not contain impaired assets. There is no concentration of credit risk with any particular customers. Credit risk management is discussed further in Note 24.

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

As at 31 March	2022 £m	2021 £m
At beginning of period	6	5
Impairments in the period (Note 2)	2	3
Amounts utilised, exchange rate and other movements	(4)	(2)
At end of period	4	6

Company:

As at 31 March	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	27	209
Interest owed by subsidiary undertakings	1	2
Other taxation	5	1
	33	212

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

16. Current tax

	Assets £m	Liabilities £m
2022		
UK corporation tax	1	3
Overseas taxation	4	12
	5	15
2021		
UK corporation tax	1	7
Overseas taxation	5	2
	6	9

17. Cash and short-term deposits

As at 31 March	2022 £m	2021 £m
Cash at bank and in hand	634	153
Short-term deposits	9	8
Cash and short-term deposits	643	161

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

As at 31 March	2022			2021		
	Cash £m	Short-term deposits £m	Total £m	Cash £m	Short-term deposits £m	Total £m
Sterling	85	9	94	72	8	80
Euros	422	-	422	27	-	27
US Dollars	106	-	106	32	-	32
Other	21	-	21	22	-	22
	634	9	643	153	8	161

Short-term deposits are highly liquid investments with original maturities of three months or less. The weighted average interest rate across these types of investment was 0.0% (2021: 0.1%) and all amounts are based on floating interest rates. During each of the periods above cash earned interest based on LIBOR or other official local rates.

18. Assets held for sale

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

	2022 £m	2021 £m
Property, plant and equipment	1	-
Inventories	13	-
Trade and other receivables	19	-
Write down to fair value less costs to sell	(9)	-
Total assets classified as held for sale	**24**	**-**
Trade and other payables	16	-
Provisions and other liabilities	2	-
Retirement benefit obligations	1	-
Total liabilities classified as held for sale	**19**	**-**

On 1 April 2022, the Group completed the sale of its subsidiary, Tata Steel France Bâtiment et Systèmes SAS ('TSFBS'). Accordingly, as at 31 March 2022, the TSFBS disposal group was classified as held for sale. Following this classification, a write down of £9m was recognised to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. The impairment has been included in the income statement within operating costs (Note 2).

19. Borrowings

Group:

As at 31 March	2022 £m	2021 £m
Current:		
Inter-group:		
Amounts owed to immediate parent company (Note 34)	-	36
Amounts owed to other Group companies (Note 34)	-	108
	-	144
External:		
Bank loans	200	201
Bank overdrafts	-	-
Floating rate guaranteed Loan Notes	1	1
Obligations under leases	48	49
	249	251
	249	395
Non-current:		
Inter-group:		
Amounts owed to immediate parent company (Note 34)	1,083	-
	1,083	-
External:		
Bank loans	426	1,393
Obligations under leases	231	266
Capitalisation of transaction costs	(29)	(40)
	628	1,619
	1,711	1,619
Total borrowings	1,960	2,014

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

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

As at 31 March	2022			2021		
	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	191	249	440	222	343	565
Euros	83	1,458	1,541	86	1,388	1,474
US Dollars	2	-	2	5	-	5
Other	6	-	6	8	2	10
Capitalisation of transaction costs	-	(29)	(29)	-	(40)	(40)
	282	1,678	1,960	321	1,693	2,014

	2022		2021	
	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	5.8	6.2	5.1	6.9
Euros	4.3	6.2	4.6	6.9

The majority of floating rate borrowings are bank borrowings bearing interest rates based on EURIBOR or official local rates.

The weighted average interest rate on current borrowings was 3.17% (2021: 4.07%) and on non-current borrowings was 2.84% (2021: 2.99%).

(ii) The maturity of borrowings is as follows:

As at 31 March	2022 £m	2021 £m
In one year or less or on demand	263	406
Between one and two years	53	58
Between two and three years	104	49
Between three and four years	443	401
Between four and five years	1,123	1,186
More than five years	77	122
	2,063	2,222
Less: future finance charges on leases	(51)	(65)
Less: capitalisation of transaction costs	(29)	(40)
Less: future release of debt modification credit	(23)	(103)
	1,960	2,014
Analysed as:		
Current liabilities	249	395
Non-current liabilities	1,711	1,619

Amounts payable under leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2022 £m	2021 £m	2022 £m	2021 £m
Not later than one year	62	61	48	49
Later than one year but not more than five years	191	197	161	168
More than five years	77	122	70	98
	330	380	279	315
Less: future finance charges on leases	(51)	(65)	-	-
Present value of lease obligations	279	315	279	315

The lease portfolio of the Group consists of leases of land, building, vessels, machinery and vehicles.

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

As at 31 March	2022 £m	2021 £m
Not later than one year	**127**	-
Between one and two years	**-**	128
Between two and three years	**50**	-
Total	**177**	128

The Group's senior facility limits the amount of other uncommitted, unsecured credit facilities to €725m (2021: €725m) with a sub-limit of €355m (2021: €355m) for overdrafts, bill discounting, financial guarantees and other debt classed as such on the balance sheet.

Tata Steel Nederland B.V. ('TSN') entered into a Revolving Credit Facility ('RCF') during 2020 with a maximum availability of €150m. As of 31 March 2022, this remains undrawn.

Tata Steel UK Limited ('TSUK') entered into a RCF in June 2021 with a maximum availability of £200m. As of 31 March 2022, £50m of this facility remains undrawn.

(iv) The majority of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in February 2020. The transaction costs of £29m arising from the refinancing have been capitalised and are amortised over the term of the loan. The SFA is secured against the assets and shares of Tata Steel UK Limited and the shares of Tata Steel Netherlands Holdings BV(TSNH). The SFA contains a financial covenant which sets an annual maximum capital expenditure at TSNH and contains covenants for cash flow to debt service and debt tangible net worth calculated at the level of Tata Steel Limited in India. During 2021/22 Tata Steel Europe made early repayments of €565m in June 2021 (€410m full repayment of facility A and €155m part repayment of Facility B) and €715m in October 2021 (part repayment against Facility B). Following the early repayments the SFA at 31 March 2022 comprises of the following term loans:

- Facility A: Full amount of €410m was repaid early in June 2021, no further liability at 31 March 2022 (March 31, 2021: €410m).
- Facility B: €470m bullet term loan facility (March 31, 2021: €1,340m), repayable in February 2026.

(v) On 30 June 2021, the parent company of TSE carried out a partial restructuring of the Groups inter-company debt via a combination of conversion to equity and debt waivers. TSGH waived all interest payable from the TSE group which equated to £36m, as well as settlement of a loan balance with Tata Steel Global procurement Company Pte Limited ('Proco') for a value of £137m which was assigned to TSGH in exchange for issuance of share capital of equal value.

(vi) On 31 March 2022, the parent company of TSE carried out a partial restructuring of the Groups inter-company debt via a conversion to equity. At this date a debt of £380m owed to TSGH was settled via an issue of non-cash equity from TSE to TSGH.

(vii) Following the year end, on 18 May 2022 the Group entered into a new £150m three year committed working capital facility with an external bank, for further details see note 35.

Company:

As at 31 March	2022 £m	2021 £m
Current:		
External [(i)]	**50**	200
Inter-group:		
Amounts owed to immediate parent company	**-**	36
Amounts owed to other Group companies	**-**	108
	50	344

(i) During the year, the £200m loan facility with a commercial bank was rolled for one year with interest charged on a floating basis with reference to LIBOR, of which £150m was repaid during the year. Following the year end, the £50m was repaid and the company entered a new 3 year committed £150m facility with interest charged on a floating basis with reference to SONIA.

20. Trade and other payables

Group:

As at 31 March	2022 £m	2021 £m
Trade payables	**1,108**	796
Amounts owed to other Group companies (Note 34)	**396**	946
Amounts owed to joint operations (Note 34)	**1**	1
Amounts owed to associates (Note 34)	**3**	3
Other taxation and social security	**86**	119
Interest payable to parent Company (Note 34)	**16**	1
Interest payable to other Group companies (Note 34)	**-**	1
Interest payable	**3**	5
Capital expenditure creditors	**161**	132
Derivative financial instruments (Note 24)	**11**	37
Advances from customers	**1**	2
Other payables	**499**	391
	2,285	2,434

Other taxation and social security has decreased since the prior year as government support in relation to deferral of taxation payments is beginning to be repaid in the current year.

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

Company:

As at 31 March	2022 £m	2021 £m
Trade creditors	27	19
Interest payable to other Group companies	-	2
Amounts owed to subsidiary undertakings	5	32
Interest payable	1	-
	33	53

21. Pensions and post-retirement benefits

Defined contribution schemes
The Group participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Group at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2022 amounted to £132m (2021: £133m). Of the total cost of £132m, £82m (2021: £84m) related to payments to the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme which is the main scheme for historic and present employees in the Netherlands.

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

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

The principal defined benefit pension scheme of the Group at 31 March 2022 is the BSPS, which is the main scheme for historic and present employees based in the UK.

BSPS

The BSPS is the legacy defined benefit pension scheme in the UK and is closed to future accrual. The current Scheme is the successor to the old BSPS which entered a PPF assessment period in March 2018. The Scheme currently has around 69,000 members of which over 80% are pensioners with benefits in payment. The BSPS is sponsored by TSUK. Although TSUK has a legal obligation to fund any future deficit, a key condition of the new BSPS going forward was that it was sufficiently well funded to meet the scheme's modified liabilities on a self-sufficiency basis with a buffer to cover residual risks. With the assets that it holds, the new scheme is therefore well positioned to pay benefits securely on a low risk basis without recourse to TSUK. Pension risks relating to the Scheme include economic risks (such as interest rate risk and inflation risk), demographic risks (for example members living longer than expected), and legal risks (for example changes in legislation that may increase liabilities). TSUK has worked with the Trustee to develop and implement an Integrated Risk Management ('IRM') framework to manage these risks. The framework provides ongoing monitoring of the key investment, funding and covenant risks facing the scheme and tracks progress against the scheme's journey plan and target. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to reduce interest rate risk, and investment in assets that are expected to be correlated to future inflation in the longer term to mitigate inflation risk. In particular, the scheme's investment policy has regard for the maturity and nature of the scheme's liabilities and seeks to match a large part of the scheme's liabilities with secure bonds, whilst achieving a higher long term return on a small proportion of equity and other investments. However, the scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the TSE financial statements should yields on gilts and corporate bonds diverge.

The BSPS Trustee and Company have established a framework for dynamic de-risking as and when conditions are appropriate. The framework provides for the parties to agree to partial buy-in transactions with one or more insurers over a period of time. In relation to this, the scheme completed its first buy-in transaction in respect to a small portion of the overall liabilities during the year. The buy-in involved a purchase of annuities with an external insurer with a value of the order of £500m. Following the buy-in the relevant annuity asset has been valued on an IAS 19 basis and the corresponding difference between the premium paid and the IAS 19 asset value has been treated as an asset loss through the OCI.

The BSPS holds an anti-embarrassment interest in TSUK agreed as part of the Regulated Apportionment Arrangement ("RAA") entered into in 2017. The anti-embarrassment interest was initially 33.33% at the time of the RAA but has since been diluted to less than 1% due to successive equity issuances by TSUK to its parent company Corus Group Limited. No value has been included in the BSPS's assets at 31 March 2022 (2021: £nil) for its interest in TSUK.

The Framework Agreement entered into as part of the RAA included provisions for a potential additional payment to pensioners with pre 1997 service if the 2021 Actuarial Valuation ('AV') results in an 'unexpected surplus' (calculated using assumptions set out in the Framework Agreement). Following the conclusion of the 2021 AV it has been confirmed that the conditions for an increase have been met. As such an allowance of £58m has been included in the IAS 19 31 March 2022 liability calculation representing the amount of the actual restoration payment due to members in the second half of 2022.

At 31 March 2022 the new scheme had an IAS 19 surplus of £2,049m (2021: £1,988m). In accordance with IFRIC 14, the company has recognised 100% (2021: 100%) of the surplus as it has an unconditional right to a refund of the surplus. The new scheme is fully funded on a low-risk technical provisions ('TP') basis and TSUK is working with the Trustee to explore options to increase security for members and to work towards an ultimate winding up of the scheme in which all benefits are fully secured with one or more insurance companies. Following the buy-in transaction in the current year TSUK is continuing to investigate with the BSPS Trustee options to further buy-in some or all of the scheme's liabilities with an insurer. TSUK retains the sole power to decide whether to subsequently proceed to wind-up and buy-out liabilities. The Pensions Framework Agreement agreed as part of the RAA stipulates that this can only be achieved if the valuation of the scheme on a "buyout" basis is either at or above 103%. The 3% excess above full funding would be applied for restoration of an element of member benefits foregone as part of the RAA. Even though the buy-in of a small portion of the scheme liabilities happened during the year, it is considered the chance of achieving the required pricing level is currently not probable, hence no adjustments have been made to the IAS 19 valuation of the BSPS at 31 March 2022 with the assumption of pension payouts being retained at 100%.

The 31 March 2021 valuation was agreed between TSUK and the BSPS Trustee on 21 January 2022. This was a surplus of £492m on a TP (more prudent) basis equating to a funding ratio of 105%. The agreed Schedule of Contributions confirmed that neither ordinary nor deficit recovery contributions are due from the Company.

On 26 May 2022 the BSPS agreed a partial buy-in transaction with an external insurer with a value of the order of £2.24bn. The transaction is expected to result in a reduction of the IAS 19 surplus recognised on TSE's consolidated balance sheet of c. £200m - £250m with the reduction being recognised as an actuarial loss through other comprehensive income.

The weighted average duration of the scheme's liabilities at 31 March 2022 was 13.5 years (2021: 14.5 years).

In the current year the income statement includes a charge of £3m (2021: £nil) in relation to costs associated with the RAA, although these costs were borne directly by the Group (Note 4).

Actuarial assumptions

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

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

2022	BSPS %	Other %
Salary growth[1]	n/a	1.00 to 2.50
Pension increases[2]	3.07	0.00 to 2.50
Discount rate	2.72	0.50 to 4.00
Inflation	3.07	1.00 to 3.00

1 The BSPS is closed to future accrual.
2 Where applicable a CPI assumption of 3.07% was applied within the BSPS.

2021	BSPS %	Other %
Salary growth [3]	n/a	1.00 to 2.00
Pension increases[4]	2.70	0.00 to 1.75
Discount rate	2.05	0.40 to 3.00
Inflation	3.20	1.00 to 3.00

3 The BSPS is closed to future accrual.
4 Where applicable a CPI assumption of 2.70% was applied within the BSPS.

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

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans. For the BSPS the liability calculations as at 31 March 2022 use the Self-Administered Pension Schemes 3 (SAPS 3) base tables, S3PMA_M/S3PFA/S3DFA with the 2020 CMI projections with a 1.25% p.a. (2021: 1.50% p.a.) long-term trend applied from 2013 to 2021 (adjusted by a multiplier of 1.03 p.a. (2021: 1.15 p.a.) for males, 1.03 p.a. (2021: 1.21 p.a.) for females and 1.04 p.a. for female dependents (2021: N/A)). In addition, future mortality improvements are allowed for in line with the 2021 CMI Projections with a long-term improvement trend of 1% per annum and a smoothing parameter of 7.0. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years (2021: 86 years) of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 87 years (2021: 87) of age.

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.3%
Inflation	Increase/decrease by 10bps	Increase/decrease by 0.6%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.5%

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

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

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

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

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

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

Income statement pension costs arose as follows:

2022	BSPS £m	SPH £m	UK £m	Other £m	Total £m
Current service cost	10	-	-	2	**12**
Net interest (income)/cost	(41)	-	-	1	**(40)**
Past service credit	-	-	-	(1)	**(1)**
Defined benefit schemes	(31)	-	-	2	**(29)**
Defined contribution schemes	-	82	44	6	**132**
Total (credit)/charge for the period	(31)	82	44	8	**103**

2021	BSPS £m	SPH £m	UK £m	Other £m	Total £m
Current service cost	17	-	-	2	**19**
Net interest (income)/cost	(71)	-	-	2	**(69)**
Defined benefit schemes	(54)	-	-	4	**(50)**
Defined contribution schemes	-	84	43	6	**133**
Total (credit)/charge for the period	(54)	84	43	10	**83**

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

	2022 £m	2021 £m
Pension costs (Note 4)	**103**	83
Pension restructuring items (Note 4)	**3**	-
Total charge for the period	**106**	83

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

2022	BSPS %	Other %
Quoted:		
Equities – UK Entities	0.2	0.0
Equities – Non-UK Entities	4.7	35.5
Bonds – Fixed Rate	65.6	5.5
Bonds – Index Linked	25.4	0.0
Other	0.2	6.9
	96.1	**47.9**
Unquoted:		
Real estate	12.6	4.6
Derivatives	(16.6)	0.0
Cash and cash equivalents	3.0	44.3
Insurance	4.0	0.0
Other	0.9	3.2
	3.9	**52.1**
Total	**100.0**	**100.0**

2021	BSPS %	Other %
Quoted:		
Equities – UK Entities	0.4	0.0
Equities – Non-UK Entities	3.6	57.5
Bonds – Fixed Rate	79.0	18.6
Bonds – Index Linked	15.9	0.0
Other	0.3	12.6
	99.2	**88.7**
Unquoted:		
Real estate	11.7	5.6
Derivatives	(13.5)	0.0
Cash and cash equivalents	1.4	3.0
Other	1.2	2.7
	0.8	**11.3**
Total	**100.0**	**100.0**

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

Amounts recognised in the balance sheet arose as follows:

2022	BSPS £m	Other £m	Total £m
Fair value of plan assets	9,874	99	**9,973**
Present value of obligation	(7,825)	(188)	**(8,013)**
Defined benefit asset/(liability) at end of period	2,049	(89)	**1,960**
Disclosed as:			
Defined benefit asset	2,049	1	**2,050**
Defined benefit liability – current	-	(1)	**(1)**
Defined benefit liability – non-current	-	(89)	**(89)**
Arising from:			
Funded schemes	2,049	(13)	**2,036**
Unfunded schemes	-	(76)	**(76)**

2021	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,341	95	**10,436**
Present value of obligation	(8,353)	(210)	**(8,563)**
Defined benefit asset/(liability) at end of period	1,988	(115)	1,873
Disclosed as:			
Defined benefit asset	1,988	-	1,988
Defined benefit liability – current	-	(1)	**(1)**
Defined benefit liability – non-current	-	(114)	**(114)**
Arising from:			
Funded schemes	1,988	(25)	1,963
Unfunded schemes	-	(90)	**(90)**

The movements in the present value of plan assets and defined benefit obligations in 2022 and 2021 were as follows:

2022	BSPS £m	Other £m	Total £m
Plan assets:			
As at 1 April 2021	10,341	95	**10,436**
Interest income on plan assets	207	2	**209**
Return on plan assets (less than)/greater than the discount rate	(196)	(3)	**(199)**
Contributions from the employer	-	7	**7**
Exchange rate movements	-	5	**5**
Benefits paid	(478)	(7)	**(485)**
As at 31 March 2022	9,874	99	**9,973**
Defined benefit obligations:			
As at 1 April 2021	8,353	210	**8,563**
Current service cost	10	2	**12**
Past service credit	-	(1)	**(1)**
Interest cost on the defined benefit obligation	166	3	**169**
Actuarial gain due to financial assumption changes	(476)	(20)	**(496)**
Actuarial loss/(gain) due to demographic assumption changes	282	(1)	**281**
Actuarial gain due to actuarial experience	(32)	(1)	**(33)**
Transfer to held for sale (Note 18)	-	(1)	**(1)**
Exchange rate movements	-	6	**6**
Benefits paid	(478)	(9)	**(487)**
As at 31 March 2022	7,825	188	**8,013**

Included within other schemes above are post-retirement medical and similar net obligations of £4m (2021: £5m).

Employer contributions are expected to be £7m in 2022/23, relating solely to 'Other' schemes.

2021	BSPS £m	Other £m	Total £m
Plan assets:			
As at 1 April 2020	10,628	91	10,719
Interest income on plan assets	254	2	256
Return on plan assets (less than)/greater than the discount rate	(39)	13	(26)
Contributions from the employer	-	6	6
Exchange rate movements	-	(10)	(10)
Benefits paid	(502)	(7)	(509)
As at 31 March 2021	10,341	95	10,436

	BSPS £m	Other £m	Total £m
Defined benefit obligations:			
As at 1 April 2020	7,712	220	7,932
Current service cost	17	2	19
Interest cost on the defined benefit obligation	183	4	187
Actuarial loss due to financial assumption changes	1,017	13	1,030
Actuarial gain due to demographic assumption changes	(8)	-	(8)
Actuarial gain due to actuarial experiences	(66)	(3)	(69)
Exchange rate movements	-	(16)	(16)
Benefits paid	(502)	(10)	(512)
As at 31 March 2021	8,353	210	8,563

Actuarial gains recorded in the statement of comprehensive income for the period were £49m (2021: loss of £979m).

22. Provisions for liabilities and charges

	Rationalisation costs (i)	Environmental provision (ii)	Insurance (iii)	Employee benefits (iv)	Other (v)	Total 2022	Total 2021
	£m	£m	£m	£m	£m	£m	£m
As at 1 April	16	356	57	61	54	**544**	287
Charged to income statement	23	127	3	-	30	**183**	350
Released to income statement	-	-	(15)	(3)	(6)	**(24)**	(15)
Utilised in period	(16)	(308)	(12)	-	(11)	**(347)**	(66)
Exchange rate movements	-	(1)	-	-	-	**(1)**	(12)
At end of period	23	174	33	58	67	**355**	544
Analysed as:							
Current liabilities						**166**	**357**
Non-current liabilities						**189**	**187**

(i) Rationalisation costs include redundancy provisions as follows:

	2022 £m	2021 £m
At beginning of period	**3**	18
Charged to income statement	**23**	12
Released to income statement	**-**	(1)
Utilised during the period	**(16)**	(26)
At end of period	**10**	3

	2022 £m	2021 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	**3**	3
Environmental and other remediation costs at sites subject to restructuring/closure	**10**	9
Other	**-**	1
	13	13

Although the precise timing in respect of utilising the redundancy provisions is not known, the majority is expected to be incurred within one year. At 31 March 2022 the rationalisation provision included £3m (2021: £3m) in respect of onerous leases on a discounted basis. This provision would have amounted to £3m (2021: £3m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 12 years.

(ii) The environmental provisions consist of remediation and clean-up activities that are likely to be undertaken in the foreseeable future and of which the costs can reasonably be estimated, together with provisions for CO2 emission rights. The majority of the provision is expected to be incurred within one year.

(iii) The insurance provisions currently held by the Group cover its historical liability risks, including those covered by its captive insurance company (Crucible Insurance Company Limited) in respect of its retrospective hearing impairment policy and those for which it is now responsible for under its current insurance arrangements. The provisions include a suitable amount in respect of its known outstanding claims and an appropriate amount in respect of liabilities that have been incurred but not yet reported. The provisions are subject to regular review and are adjusted as appropriate. The value of the final insurance settlements is uncertain and so is the timing of the expenditure.

(iv) 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.

(v) Other provisions include early retirement provisions of £27m (2021: £28m), product warranty claims of £6m (2021: £7m) and other miscellaneous provisions of£34m (2021: £19m). The timing in respect of utilising these provisions is uncertain.

23. Other non-current liabilities

As at 31 March	2022 £m	2021 £m
Other taxation and social security	**68**	57
Other creditors	**3**	4
	71	61

As at 31 March	2022 £m	2021 £m
An analysis of other creditors by currency is set out below:		
Sterling	**2**	3
Euros	**69**	58
	71	61

Other taxation and social security relates to deferred payroll taxes which are due for repayment within three years. These payroll tax deferrals were granted in response to the COVID-19 pandemic.

24. Financial instruments and risk management

(i) Capital risk management
The Group manages its capital with the aim of ensuring that the entities in the Group are able to continue as a going concern. Further details are included in the basis of preparation on page 45. The Group's overall risk strategy remains unchanged from 2021. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 19, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Net debt has decreased in the year to £1,317m at 31 March 2022 from £1,853m at 31 March 2021 (note 31) mainly due to an increase of £484m in cash and cash equivalents.

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

As at 31 March	2022 £m	2021 £m
Financial assets:		
Financial assets held at amortised cost:		
Other investments (Note 11)	**7**	8
Long term receivables (Note 12)	**2**	4
Trade receivables (Note 15)	**760**	474
Other receivables [1] (Note 15)	**154**	123
Cash and short-term deposits (Note 17)	**643**	161
	1,566	770
Financial liabilities:		
Financial liabilities held at amortised cost:		
Trade and other payables [2] (Note 20)	**(2,186)**	(2,276)
Current borrowings (Note 19)	**(249)**	(395)
Non-current borrowings (Note 19)	**(1,711)**	(1,619)
Other non-current liabilities (Note 23)	**(71)**	(61)
	(4,217)	(4,351)
	(2,651)	(3,581)

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values except for current and non-current borrowings. The fair values of these are £245m (2021: £387m) and £1,665m (2021: £1,559m) respectively. The fair value of borrowings would be classified as Level 3 within the fair value hierarchy. The fair value is based on discounted cash flows and reflects the credit risk of counterparties.

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

and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3.

As at 31 March	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income:				
Derivative financial assets (Note 15)	-	103	-	103
Investments (Note 11)	-	-	6	6
	-	103	6	109
Financial liabilities at fair value through other comprehensive income:				
Derivative financial liabilities (Note 20)	-	(11)	-	(11)
	-	(11)	-	(11)

As at 31 March	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income:				
Derivative financial assets (Note 15)	-	35	-	35
Investments (Note 11)	-	-	7	7
	-	35	7	42
Financial liabilities at fair value through other comprehensive income:				
Derivative financial liabilities (Note 20)	-	(37)	-	(37)
	-	(37)	-	(37)

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

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

(a) Market risk: foreign exchange risk and management
At 31 March 2022, the Group had £1,960m (2021: £2,014m) in borrowings, of which £1,512m (2021: £1,434m) net of capitalised transaction costs of £29m (2021: £40m) is denominated in euros, £440m (2021: £565m) is denominated in sterling, £2m (2021: £5m) is denominated in US dollars, and £6m (2021: £10m) is denominated in other currencies. As described in Note 19, the majority of the Group's external borrowings relate to the SFA which are held by TSE's euro-denominated subsidiary company Tata Steel Netherlands Holdings BV ('TSNH'). The SFA was refinanced during 2020 and consists of two facilities which are both euro denominated, of which one of the facilities has been repaid during the year (for full details see Borrowings note 19).

It is the Group's policy that substantially all the net currency transaction exposure arising from contracted sales and purchases over an approximate 6-month time horizon is covered by selling or purchasing foreign currency forwards. At 31 March 2022, the Group held forward currency sales of principally Euros and US Dollars amounting to £1,504m (2021: £678m) and purchases of principally Euros and US dollars amounting to £1,911m (2021: £1,770m).

A 10% appreciation of sterling at 31 March 2022 would increase the Group's net assets by approximately £105m (2021: £125m), increase equity by approximately £105m (2021: £125m) and decrease operating profit by approximately £nil (2021: £nil). This sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at 31 March, excluding trade payables, trade receivables and other non-derivative financial instruments not in net debt which do not present a material exposure.

(b) Market risk: commodity risk and management
The Group makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Across the Group, forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices, of carbon emission rights based on predicted future emissions deficit, and of natural gas based on estimated future consumption.

At 31 March 2022, a 10% appreciation of market prices would decrease the Group's equity by approximately £14m (2021: £9m). There was no significant market risk relating to the income statement since the majority of commodity derivatives are treated as cash flow hedges with movements being reflected in equity and the timing and recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

(c) Market risk: interest risk and management
The objective of the Group's interest risk management is to reduce its exposure to the impact of changes in interest rates in the currencies in which debt is borrowed.

Based on the composition of net debt at 31 March 2022, a 100 basis points increase in interest rates over the 12-month period would increase the Group's net finance expense by approximately £5m (2021: £13m) and decrease equity by approximately £5m (2021: £13m).

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

TSE's businesses are responsible for controlling their own credit risk arising from the Group's normal commercial operations, although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposure to key customers and those where known risks have arisen or 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 Group continually monitors each institution's credit quality and limits as a matter of policy the amount of credit exposure to any one of them. The Group's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. The Group believes that the risk of incurring such losses is remote and underlying principal amounts are not at risk.

(e) Liquidity risk
The management of liquidity risk is co-ordinated and controlled by the treasury operations of the UK and MLE businesses. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 19(iii), the total undrawn committed borrowing facilities at 31 March 2022 is £177m (2021: £128m).

The management of TSE's UK and MLE businesses review liquidity and any associated risk monthly, which includes a review of the businesses funding positions and cash flow forecasts.

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Group's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the end of the reporting period. Cash flows in foreign currencies are translated using the period end spot rates at 31 March 2022.

As at 31 March	2022			
	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	(2,186)	(2,186)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Lease obligations	(329)	(61)	(191)	(77)
Bank and other loans	(1,734)	(202)	(1,532)	-
Other creditors[1]	(3)	-	(3)	-
	(4,253)	(2,450)	(1,726)	(77)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(3,396)	(3,396)	-	-
Receivables	3,402	3,402	-	-
Commodity contracts	80	80	-	-
	86	86	-	-
Total financial liabilities	(4,167)	(2,364)	(1,726)	(77)

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

As at 31 March	2021			
	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m
Non-derivative financial liabilities:				
Trade and other payables [1]	(2,276)	(2,276)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Lease obligations	(380)	(61)	(197)	(122)
Bank and other loans	(2,028)	(387)	(1,641)	-
Other creditors	(7)	-	(7)	-
	(4,692)	(2,725)	(1,845)	(122)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(2,465)	(2,465)	-	-
Receivables	2,451	2,451	-	-
Commodity contracts	12	12	-	-
	(2)	(2)	-	-
Total financial liabilities	(4,694)	(2,727)	(1,845)	(122)

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

(v) Derivative financial instruments

Derivative financial instruments used by the Group include forward exchange contracts and commodity contracts. These financial instruments are utilised to hedge significant future transactions and cash flows, and, in most cases, these are subject to hedge accounting under IFRS 9. The Group does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.
The following table sets out the fair values of derivatives held by the Group at the end of the reporting period:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Current:				
Foreign currency contracts	22	(10)	23	(37)
Commodity contracts	81	(1)	12	-
	103	(11)	35	(37)

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

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2022 £m
Cash flow hedge reserve net of taxation at beginning of period	5	7	(4)	8
Fair value recognised	12	66	(16)	62
Cash flow hedge reserve net of taxation at end of period	17	73	(20)	70

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2021 £m
Cash flow hedge reserve net of taxation at beginning of period	-	(15)	3	(12)
Fair value recognised	5	22	(7)	20
Cash flow hedge reserve net of taxation at end of period	5	7	(4)	8

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

	2022 £m	2021 £m
Foreign currency contracts	**3,417**	2,449
Commodity futures and options	**407**	151

During the year TSE entered into hedging contracts in relation to gas prices. These cash flow hedges were entered into in order to fix the prices of forecast energy consumption. There is no ineffectiveness recognised in relation to these derivatives within the year.

There was an £85m charge recorded in the income statement for the current year in relation to hedges for a single transaction that did not transpire (2021: £nil).

25. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2022 £m	2021 £m
At 1 April	1	4	**5**	7
Released to income statement	-	(1)	**(1)**	(2)
At 31 March	1	3	**4**	5

26. Called up share capital

Group and Company:

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

Authorised, allotted and fully paid	2022 £m	2021 £m
10,222,326,334 (2021: 8,821,657,237) ordinary shares of £1 each	**10,222**	8,822

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

Company reconciliation of share capital and equity:

	Ordinary share capital £m	Accumulated deficit £m	Total £m
At 31 March 2021	**8,822**	**(5,040)**	**3,782**
Profit for the year	-	41	**41**
New shares issued – refinancing of inter group loans and facilities	1,400	-	**1,400**
At 31 March 2022	**10,222**	**(4,999)**	**5,223**

All share issues are ordinary shares of £1 each issued at par.

On 30 June 2021, TSE issued 1,012,335,012 ordinary shares for proceeds of £1,012m. The proceeds were used to settle loan liabilities of £137m with TSL group companies and to settle the extended supply terms on raw material purchases of £875m (see note 34).

On 31 March 2022, TSE issued 388,334,085 ordinary shares for proceeds of £388m. The proceeds were used to settle loan liabilities of £380m and accrued interest of £8m with the immediate parent company.

27. Future capital expenditure

	2022 £m	2021 £m
Contracted but not provided for	**184**	88
Authorised but contracts not yet placed	**497**	397

At the end of the period there was £5m (2021: £7m) of future expenditure planned in relation to intangible assets.

28. Exposure for cash outflows relating to leases

	2022 £m	2021 £m
Future exposure for cash outflows by the Group at the end of the period are:		
Future cash outflows relating to termination and extension options	**1**	1
Future cash outflows relating to leases committed but not yet commenced	**23**	7
	24	8

29. Contingencies

	2022 £m	2021 £m
Guarantees given under trade agreements	**72**	36
Others	**9**	10

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

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

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

30. Reconciliation of cash generated from total operations

	2022 £m	2021 £m
Profit/(loss) after taxation	**882**	(793)
Adjustments for:		
Taxation	**(86)**	164
Depreciation and amortisation including impairment items (net of grants released)	**244**	405
Profit on disposal of property, plant and equipment and Group companies	**10**	-
Finance income	**(47)**	(5)
Finance expense	**192**	154
Share of post-tax results of joint ventures and associates	**(13)**	(7)
Movement in pensions and post-retirement benefits	**(38)**	(58)
Movement in provisions for impairments of trade receivables	**3**	1
Movement in insurance and other provisions	**(167)**	287
Movement in spares	**(7)**	(2)
Movement in inventories	**(926)**	(28)
Movement in receivables	**(359)**	87
Movement in payables	**743**	329
Net rationalisation costs provided	**22**	6
Utilisation of rationalisation provisions	**(15)**	(27)
Net cash flow generated from operations	**438**	513

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

	2022 £m	2021 £m
Movement in cash and cash equivalents	**484**	32
Movement in total debt excluding bank overdrafts	**(401)**	50
Change in net debt resulting from cash flows in period	**83**	82
Exchange rate movements	**8**	53
Other non-cash changes	**445**	(161)
Movement in net debt in period	**536**	(26)
Net debt at beginning of period	**(1,853)**	(1,827)
Net debt at end of period	**(1,317)**	(1,853)

32. Analysis of net debt

	1 April 2021 £m	Cash flow £m	Exchange rate movements £m	Other non-cash movements £m	31 March 2022 £m
Cash and short-term deposits	161	484	(2)	-	**643**
Cash and cash equivalents	161	484	(2)	-	**643**
Other non-current borrowings	(1,353)	(426)	10	288	**(1,481)**
Bank/other loans and loan notes	(346)	(28)	-	173	**(201)**
Obligations under leases	(315)	53	-	(16)	**(278)**
Total debt excluding bank overdrafts	(2,014)	(401)	10	445	**(1,960)**
	(1,853)	83	8	445	**(1,317)**

The other non-cash movements in respect of other non-current borrowings relate to £380m of debt to group companies that was restructured via issuance of new share capital which was offset by £92m of unwinding of amortised loan transaction costs during the year.

The other non-cash movements in respect of Bank/other loans and loan notes relates to £137m of debt to group companies that was restructured via issuance of new shares and £36m in previously capitalised interest costs that were waived by the parent company.

The other non-cash movements in respect of obligations under leases comprises £16m of additions of new lease contracts.

33. Disposal of group undertakings

During the year, the Group completed the dissolution of the below 32 subsidiaries, having previously entered them into liquidation.

- Lye Spencer Steel Services Limited (dissolved 6 July 2021)
- Bore Steel Limited (dissolved 4 September 2021)
- UKSE Fund Managers Limited (dissolved 7 September 2021)
- Cold Drawn Tubes Limited (dissolved 7 September 2021)
- Bore Samson Group Limited (dissolved 7 September 2021)
- Color Steels Limited (dissolved 4 September 2021)
- Corus Enginneering Steels Overseas Holdings Limited (dissolved 4 September)
- Cordor (C&B) Limited (dissolved 7 September 2021)
- Runblast Limited (dissolved 7 September 2021)
- Round Oaks Steel Works Limited (dissolved 7 September 2021)
- C Walker & Sons Limited (dissolved 4 September 2021)
- Walkersteelstock Limited (dissolved 7 September 2021)
- The Stanton Housing Company Limited (dissolved 7 September 2021)
- 00302520 Limited (dissolved 7 September 2021)
- Alloy Steel Rods Limited (dissolved 7 September 2021)
- British Bright Bar Limited (dissolved 7 September 2021)
- Steel Peech & Tozer Limited (dissolved 7 September 2021)
- Whitehead (Narrow Strip) Limited (dissolved 7 September 2021)
- The Steel Company of Wales Limited (dissolved 7 September 2021)
- British Guide Rails (dissolved 19 October 2021)
- Corus Engineering Pension Scheme Trustee Limited (dissolved 19 October 2021)
- Steel Stockholdings Limited (dissolved 19 October 2021)

- Bell & Harwood Limited (dissolved 19 October 2021)
- Walker Manufacturing & Investments Limited (dissolved 19 October 2021)
- Steel Stock Limited (dissolved 19 October 2021)
- Corus Large Diameter Pipes Limited (dissolved 19 October 2021)
- Seamless Tubes Limited (dissolved 19 October 2021)
- Ore Carriers Limited (dissolved 19 October 2021)
- Corus Cold Drawn Tubes Limited (dissolved 19 October 2021)
- Nationwide Steel Stock Limited (dissolved 19 October 2021)
- British Steel Engineering Steels (Exports) Limited (dissolved 19 October 2021)
- Corus Service Centre Limited (dissolved 2 December 2021)

Details of companies currently still in the process of liquidation can be found on Note 37.

(i) The Group has recognised an impairment of £8m (2021: £15m) in relation to deferred consideration on previous business divestments for which recoverability is now deemed uncertain. This impairment consists of nil (2021: £7m) in relation to preference shares and £8m (2021: £8m) in relation to deferred payments (note 12).

34. Related party transactions

The table below sets out details of transactions which occurred in the normal course of business at market rates and terms, and loans between the Group, its parent and its joint ventures and associates.

	2022 £m	2021 £m
Amounts reported within the consolidated income statement:		
Sales to joint ventures	85	50
Sales to associates	185	94
Sales to other Group companies	6	22
Other operating income with other Group companies	2	3
Purchases from associates	33	29
Purchases from ultimate parent company	42	2
Purchases from other Group companies	2,966	1,673
Interest on loans from immediate parent company (Note 5)	23	2
Interest on loans from other Group companies (Note 5)	18	50
Waiver of loan interest owed to immediate parent company (Note 5)	36	-
Amounts reported within the Consolidated balance sheet:		
Amounts owed by joint ventures (Note 15)	4	7
Amounts owed by associates (Note 15)	21	12
Amounts owed by ultimate parent company (Note 15)	4	4
Amounts owed by other Group companies (Note 15)	33	14
Amounts owed to joint operations (Note 20)	1	1
Amounts owed to associates (Note 20)	3	3
Amounts owed to other Group companies (Note 20)	396	946
Interest payable to immediate parent company (Note 20)	16	1
Interest payable to other Group companies (Note 20)	-	1
Loans owed to immediate parent company (Note 19)	1,082	36
Loans owed to other Group companies (Note 19)	-	108

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

Proco and Proco Issuer
(a) Previously there was an arrangement for extended payment terms between TSE and Proco whereby Proco acted as principal within certain supply agreements (e.g. raw material and fuel). Under this arrangement, Proco made the payment to the supplier when due and then Proco provided the extended credit terms to TSE in return for an increase in purchase price. This arrangement ended on 30 June 2021 with settlement of the outstanding balance for the extended payment terms of £875m facilitated by an equity injection from the parent company of TSE. From 1 July 2021, TSE continues to purchase raw materials through Proco which acts as principal but without any extended payment terms. As at 31 March 2022 £353m (2021: £929m) was owed to Proco, with total financing costs in the period of £16m (2021: £46m). Total purchases in the year in relation to this agreement were £2,825m (2021: £1,596m).

(b) Up to 30 June 2021, TSE received loans from Proco to settle various external creditors. This included the settlement of insurance premiums, the funding of energy procurement from external suppliers for onward sale to TSUK and the funding of the sale of emission rights from TSUK and TSN to TSE. This also included an extended supplier credit arrangement between TSE, TSUK and certain third party suppliers under which TSE receives loans from Proco to purchase the TSUK receivables from the third party suppliers and thereby settles the external creditor. This arrangement ended on 30 June 2021 with settlement of the outstanding balance at that point by an equity injection from the parent company of TSE of £137m. At 31 March 2022, £nil (2021: £109m), including £nil interest accrued (2021: £1m) was owed to Proco under this arrangement, with total financing costs in the period of £1m (2021: £4m).

Tata Sons
There is also a branding fee payable to Tata Sons under a brand equity and business promotion agreement, based on net income and profit before tax, with £16m being payable for 2022 (2021: £nil).

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

	2022 £m (i)	2021 £m
Short-term employee benefits (ii)	**5**	7
Other long term benefits	**1**	-
	6	7

(i) The costs only include TSE Executive Committee members remuneration up until the time this Committee was disbanded on 1 October 2021. Since that time the principal management and decision-making of the Group has been devolved to the separate boards and management teams of the UK and MLE Businesses (see page 2 for further details).

(ii) Included within short-term employee benefits for the year is £3m (2021: £3m) in relation to compensation for loss of office.

35. Events after the reporting period

On 1 April 2022, the Group completed the sale of its subsidiary, Tata Steel France Bâtiment et Systèmes SAS.

On 18 May 2022, TSE entered into a £150m three year committed working capital facility with an external bank and, on 23 May 2022, utilised £50m of this facility to repay a separate loan of £50m which was outstanding as at 31 March 2022. On 24 May 2022, TSE utilised a further £50m of this facility and lent the proceeds on to TSUK.

On 26 May 2022 the BSPS agreed a partial buy-in transaction with an external insurer with a value of the order of £2.24bn. The transaction is expected to result in a reduction of the IAS 19 surplus recognised on TSE's consolidated balance sheet of c. £200m - £250m with the reduction being recognised as an actuarial loss through other comprehensive income.

36. Ultimate and immediate parent company

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

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

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

37. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2022 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings
Steel producing, further processing or related activities:

Belgium	
Société Européenne de Galvanisation (Segal) Sa (ii) (iii)	Chassée de Ramioul 50, Flemalle, Ivoz Ramet, 4400, Belgium
Tata Steel Belgium Packaging Steels N.V. (ii) (iii)	Walemstraat 38, Duffel, 2570, Belgium
Tata Steel Belgium Services N.V. (ii) (iii)	Coremansstraat 34, Berchem, 2600, Belgium

Brazil	
Tata Steel International (South America) Representacoes Limited (ii) (iii)	Santiago & Amboulos Advogados, Av. Rio Branco, 45 - 10º andar - Grupo 1013, Centro - Rio de Janeiro - RJ. CEP: 20090-003
Czech Republic	
Tata Steel International (Czech Republic) S.R.O (ii) (iii)	Praha 2, Mala Stepanska 9, 120 00, Czech Republic
Denmark	
Tata Steel Denmark Byggsystemer A/S (xiv)	Kaarsbergsvej 2, Postbox 136, Ebeltoft, DK 8400, Denmark
Finland	
Naantali Steel Service Centre OY (ii) (iii)	Rautakatu 5, 21110 Naantali, Finland
France	
Inter Metal Distribution (I.M.D.) SAS (ii) (iii)	1 Place des Hauts Tillers Immeuble le Starter-Parc des Barbanniers, Gennevilliers, 92230, France
Corbeil Les Rives SCI (67.31%) (ii) (iii)	Rue Decauville, Corbeil Essonnes, 91100, France
Tata Steel France Bâtiment et Systèmes SAS (ii) (iii) (xv)	Rue Geo Lufbery, BP 103, Chauny, 02300, France
Tata Steel France Holdings SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92632, France
Tata Steel International (France) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
Tata Steel Maubeuge SAS (ii) (iii)	22 Avenue Abbé Jean de Béco, Louvroil, 59720, France
Unitol SAS (ii) (iii)	1 Rue Fernand Raynaud, Corbeil Essonnes, 91814, France
Germany	
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
Degels GmbH (ii) (iii)	Königsberger Strasse 25, Neuss, 41460, Germany
Fischer Profil GmbH (ii) (iii) (xvi)	Waldstrasse 67, Netphen, 57250, Germany
FP Produktions-und-Vertriebs-GmbH	Am Tripplesberg 48, 40589 Dusserdorf, Germany
Hille & Müller GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
S.A.B Profil GmbH (ii) (iii)	Industriestrasse 13, Niederaula, 36272, Germany
Service Center Gelsenkirchen GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel Germany GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel International (Germany) GmbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany
India	
Tata Steel International (India) Limited. (ii) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
Ireland (Republic of)	
Corus Ireland Limited. (ii) (iii)	70 Sir John Rogerson's Quay, Dublin 2, Ireland
Gamble Simms Metals Limited. (ii) (iii)	70 Sir John Rogerson's Quay, Dublin 2, Ireland
Lister Tubes Limited. (xiii)	1 Stokes Place, St Stephens Green, Dublin 2
Stewarts & Lloyds Of Ireland Limited. (xiii)	1 Stokes Place, St Stephens Green, Dublin 2
Walkersteelstock Ireland Limited. (xiii)	1 Stokes Place, St Stephens Green, Dublin 2
Isle of Man	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
Italy	
Tata Steel International (Italia) Srl (ii) (iii)	Via Giovanni Gioacchino Winckelmann, 2, Milano MI, Italy
Mexico	
Tata Steel International Mexico SA de CV (ii) (iii)	Era 2, Real de Anahuac, 66600 Ciudad Apodaca, Nuevo Leon, Mexico
Netherlands	
British Steel Nederland International B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
C. V. Bénine (76.93%) (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Demka B.V. (ii) (iii) (vii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Huizenbezit Breesaap B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
S.A.B Profiel B.V. (ii) (iii)	Produktieweg 2-3a, Ijsselstein, 3401 Mg, Netherlands
Service Centre Maastricht B.V. (ii) (iii)	Fregatweg 42, 6222 Nz, Maastricht, Netherlands
Staalverwerking En Handel B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel IJmuiden B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Consulting & Technical Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Technology B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Tubes B.V. (ii) (iii)	Souvereinstraat 35, Oosterhout, 4903 Rh, Netherlands
Tata Steel Netherlands Holdings B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands

Nigeria	
Tata Steel International (Nigeria) Limited (ii) (iii) (xiv)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
Norway	
Norsk Stal Tynnplater AS (ii) (iii)	Habornveien 60, PO Box 1403, N1631, Gamle Fredrikstad, 1630, Norway
Tata Steel Norway Byggsystemer A/S (ii) (iii)	Roraskogen 2, Skien, N 3739, Norway
Poland	
Tata Steel International (Poland) Spólka z.o.o (ii) (iii)	7, Ul. Piastowska, Katowice, 40-005, Poland
Romania	
Corus International Romania SRL (ii) (iii)	169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania
South Africa	
TS South Africa Sales Office Proprietary Limited (ii) (iii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
Spain	
Layde Steel S.L. (ii) (iii)	Eguskitza 11, E-48200 Durango, Spain
Tata Steel International Iberica SA (ii) (iii)	Calle Rosario Pino 14-16, Torre Rioja, Madrid, 28020, Spain
Sweden	
Halmstad Steel Service Centre AB (ii) (iii)	Stationsgatan 55, 302 50 Halmstad, Sweden
Norsk Stal Tynnplater AB (ii) (iii)	Rønneholmsvej 11 B, 211 47 Malmø, Sweden
Surahammar Bruks AB (ii) (iii)	Box 201, S-735 23, Surahammar, Sweden
Tata Steel International (Sweden) AB (ii) (iii)	AmerikaHuset Barlastgatan 2, 414 63 Gothenburg, Sweden
Tata Steel Sweden Byggsystem AB (xiv)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden
Switzerland	
Montana Bausysteme AG (ii) (iii)	Durisolstrasse 11, Villmergen, 5612, Switzerland
Turkey	
Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Elmadag Harbiye Mahalessi Cumhuriyet Caddesi No: 48, Pegasus Evi Kat:7, Sisli, ISTANBUL, Turkey
UAE	
Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
United Kingdom	
00026466 Limited (ii) (iv)	18 Grosvenor Place London SW1X 7HS
00224239 Limited (xiii)	Hill House Little New Street London EC4A 3TR
02727547 Limited (xiii)	Hill House Little New Street London EC4A 3TR
137050 Limited (ii) (xii)	30 Millbank London SW1P 4WY
Birmingham Steel Processors Limited (ii) (iii)	9 Albert Embankment London SE1 7SN
Blastmega Limited (xiii)	Hill House Little New Street London EC4A 3TR
British Steel Corporation Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
British Steel Directors (Nominees) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
British Steel Service Centres Limited (xiii)	Hill House Little New Street London EC4A 3TR
British Steel Trading Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Catnic Limited (ii) (iii) (viii) (ix)	18 Grosvenor Place London SW1X 7HS
Cogent Power Limited (ii) (iii) (x)	18 Grosvenor Place London SW1X 7HS
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel UK Limited PO Box 101 Weldon Road Corby Northamptonshire NN17 5UA
Corus CNBV Investments (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels (UK) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels Holdings Limited (xiii)	Hill House Little New Street London EC4A 3TR
Corus Engineering Steels Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Group Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Holdings Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus International (Overseas Holdings) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus International Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Investments Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus Liaison Services (India) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Management Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Property (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus UK Healthcare Trustee Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Darlington & Simpson Rolling Mills Limited (xiii)	Hill House Little New Street London EC4A 3TR
DSRM Group Limited (xiii)	Hill House Little New Street London EC4A 3TR

English Steel Corporation (Overseas) Limited (ii) (iii) (xiii)	9 Albert Embankment London SE1 7SP
Europressings Limited (xiii)	Hill House Little New Street London EC4A 3TR
Grant Lyon Eagre Limited (xiii)	Hill House Little New Street London EC4A 3TR
H E Samson Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Hadfields Holdings Limited (62.5%) (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Hallamshire Steel Co. Limited(The) (xiii)	Hill House Little New Street London EC4A 3TR
Hammermega Limited (xiii)	Hill House Little New Street London EC4A 3TR
John Tinsley Limited (xiii)	Hill House Little New Street London EC4A 3TR
London Works Steel Company Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Orb Electrical Steels Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Plated Strip International Limited (xiii)	Hill House Little New Street London EC4A 3TR
Precoat International Limited (xiii)	Hill House Little New Street London EC4A 3TR
Precoat Limited (xiii)	Hill House Little New Street London EC4A 3TR
Round Oak Properties Limited (xiii)	Hill House Little New Street London EC4A 3TR
Runmega Limited (xiii)	Hill House Little New Street London EC4A 3TR
Samuel Fox and Company Limited (xiii)	Hill House Little New Street London EC4A 3TR
Stewarts And Lloyds (Overseas) Limited (xiii)	Saltire Court 20 Castle Terrace Edinburgh EH1 2DB
Swinden Housing Association (ii) (iii)	Room 42 Talbot Building College of Engineering Singleton Campus Swansea University Swansea SA2 8PP
Tata Steel UK Consulting Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Tata Steel UK Holdings Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Tata Steel UK Limited (ii) (iii) (iv) (viii)	18 Grosvenor Place London SW1X 7HS
The Newport And South Wales Tube Company Limited (ii) (iii) (x)	18 Grosvenor Place London SW1X 7HS
The Templeborough Rolling Mills Limited (xiii)	Hill House Little New Street London EC4A 3TR
Toronto Industrial Fabrications Limited (xiii)	Hill House Little New Street London EC4A 3TR
Tulip UK Holdings (No.2) Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
Tulip UK Holdings (No.3) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
U.E.S. Bright Bar Limited (xiii)	Hill House Little New Street London EC4A 3TR
UK Steel Enterprise Limited (ii) (iii)	The Innovation Centre 217 Portobello Sheffield S1 4DP
Wellington Tube Works Limited (xiii)	Hill House Little New Street London EC4A 3TR
Westwood Steel Services Limited (xiii)	Hill House Little New Street London EC4A 3TR
USA	
Apollo Metals, Limited. (ii) (iii) (xi)	1001 Fourteenth Avenue, 18018-0045 Bethlehem, USA
Cogent Power Incorporated (ii) (iii) (xiv)	59 Elm Street, suite 400, New Haven CT CT06510
Hille & Müller USA, Inc. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Hoogovens Usa, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Oremco, Inc. (ii) (iii)	60 E42 Street, New York, N.Y., 10165, United States
Rafferty-Brown Steel Co Inc Of Conn. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel International (Americas) Holdings Inc. (ii) (iii) (iv)	Wilmington Trust SP Services, Inc, 1105 N Market Place, Wilmington, DE, 19899, USA
Tata Steel International (Americas) Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Tata Steel USA, Inc. (ii) (iii)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA
Thomas Processing Company (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States
Thomas Steel Strip Corp. (ii) (iii)	Delaware Avenue N.W., Warren, Ohio, 44485, United States

Classification key:

(i) Directly owned by Tata Steel Europe Limited
(ii) Indirectly owned by Tata Steel Europe Limited
(iii) Ordinary shares
(iv) Ordinary A shares
(v) Ordinary B shares
(vi) Ordinary C shares
(vii) Preference shares
(viii) Deferred shares
(ix) Deferred A shares
(x) Cumulative redeemable preference shares
(xi) Non-cumulative preference shares
(xii) No share capital
(xiii) UK and Irish subsidiaries currently in liquidation via a Members Voluntary Liquidation
(xiv) Non UK and Irish subsidiaries currently in liquidation
(xv) Sold on 1st April 2022
(xvi) Incorporated on 8 April 2021

All subsidiaries are included in the consolidation of these accounts.

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

Joint ventures, Joint operations and associates

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

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

Classification key:

(i) Owned by the Group
(ii) Ordinary shares
(iii) Ordinary A shares
(iv) Ordinary B shares
(v) Voting shares
(vi) Preference shares
(vii) 455,000 shares of the variable part ; 25,000 of the minimum fixed part of the capital stock
(viii) Partnership by agreement
(JV) Joint Venture
(JO) Joint Operation
(AS) Associate

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