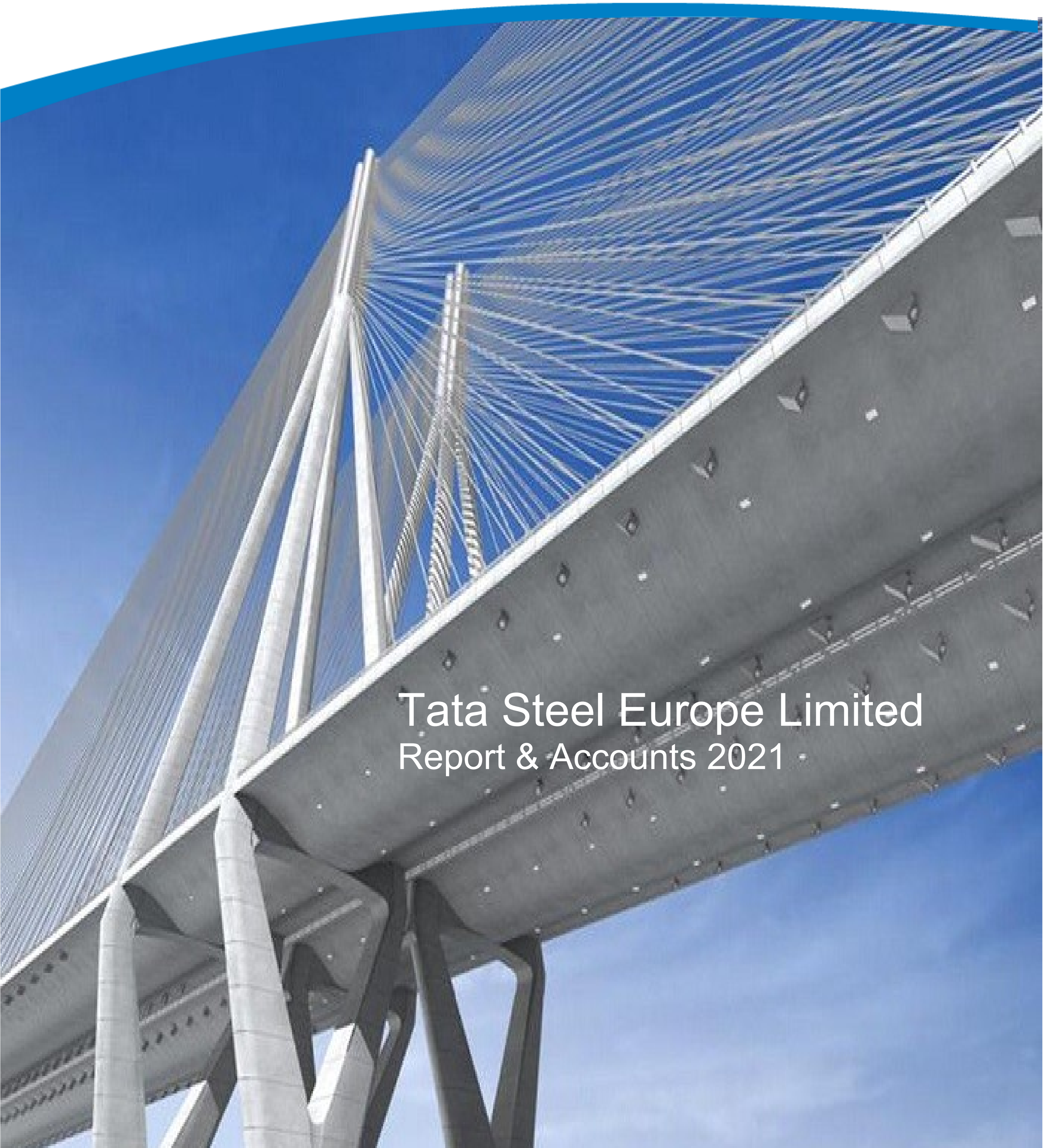


Tata Steel Europe Limited

Report & Accounts 2021

Contents

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 2021.

Ownership

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

Principal activities

The principal activities of the Group in 2020/21 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 2020/21 these plants produced 9.6mt of liquid steel (2019/20: 10.3mt) with the lower level of production during the year due to the impact of the COVID-19 pandemic and resulting demand reductions. During the year 6.2mt of liquid steel was produced at IJmuiden (2019/20: 6.8mt) and 3.4mt was produced at Port Talbot (2019/20: 3.5mt).

The Group organises its commercial activities into strategic sectors and these sector teams identify demand, which is met from a single, pan-European, supply chain function. The Group has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for the distribution and further processing of steel products. Principal end user markets for the Group's steel products are 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 2020/21 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

TSE started the year against the backdrop of the COVID-19 pandemic which caused a significant drop in demand for the Group's steel products and created challenges for TSE's production facilities and for the health and safety of employees. In the first quarter of the 2020/21 financial year, demand for the Group's steel products was down by about 20% due to COVID-19 with certain sectors such as automotive experiencing a sharper decline than others, such as packaging, where demand was largely unaffected. TSE also received government support where available including the Coronavirus Job Retention Scheme in the UK, the Noodmaatregel Overbrugging voor Werkbehoud ('NOW scheme') in the Netherlands, and in the form of agreed deferrals to payroll taxes and VAT in both the UK and Netherlands. TSE ensured a coordinated approach in order to protect the health and wellbeing of employees with those who could work from home doing so, supported by the appropriate tools, systems, and policies in line with national requirements. The manufacturing processes continued to operate with new social distancing practices and solutions deployed.

Throughout the year TSE continued to build on its successful company-wide Transformation programme to improve the performance of the business, helping it to become more sustainable and enabling investments necessary to secure its long-term future. Improvements in performance came from productivity improvements, increased sales of higher-value steels, and employment cost savings. During the year, the Transformation programme delivered over £200m worth of sustainable benefits in addition to over £200m worth of benefits delivered in 2019/20.

On 13 November 2020 TSL announced that it had initiated discussions with SSAB in Sweden based on interest received for the potential acquisition of TSE's Netherlands business. In addition TSE initiated a process to separate Tata Steel Netherlands ('TSN') and Tata Steel UK in order to pursue separate strategic paths for the Netherlands and UK businesses. However, on 29 January 2021, discussions with SSAB about a possible sale of the Netherlands business ended after SSAB announced that there were limited possibilities to integrate the Netherlands business into its strategic framework. Despite the conclusion of the sales process, the process to separate the Netherlands and UK business continues with the aim to conclude separation in 2021/22 once the detail of the separation has been agreed with various subsidiary boards and employee representatives.

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 TSE Board and Executive Committee 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. TSE's "license to operate" depends on the balance the Group achieves between the value of its products and services to society, the jobs it creates, the contributions it makes to communities and local economies, and its 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 TSE's "licence to operate".	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. TSE 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 TSE's activities.
Our workforce	
During the second half of 2020/21, TSE has been working towards a strategic separation of the Tata Steel UK and Tata Steel Netherlands businesses, incorporating proposals to transform the business. The TSE Executive Committee recognises the challenges facing the company in achieving sustainable trading results. These discussions will continue in the coming period to agree a new TSE-wide organisational structure to build on the more than 100 year histories of both our integrated steel works in IJmuiden and Port Talbot, and our many locations elsewhere. There is a risk that works councils and trade union representatives resist any changes to the organisation proposed by the Group. 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 changes in the organisation with its works councils and trade union representatives in order to ensure the workforce is part of the discussions regarding organisation. Strategic collaborations continue with Technical Universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention. The long-term success and competitiveness of steel making in the EU requires the ongoing partnership with trade bodies and continuance of beneficial industrial relations in the face of future uncertainties. Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing TSE.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Climate Change	
Climate-related risks have in recent years become central to TSE's risk management process. This includes climate-related physical risks such as those linked to rising sea levels and extreme weather events (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. Tata Steel UK and Tata Steel Netherlands 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, TSE has started to pass on some of the costs of carbon taxes to customers in the form of an additional surcharge which will be adjusted when carbon costs change. By explicit carbon pricing, TSE is seeking to drive awareness and action in the value chain towards innovation and investments in a decarbonised future. Future regulatory changes may include a EU Carbon Border Adjustment Mechanism which would help 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. Together with the Dutch Government, TSN has laid out its CO2 reduction ambitions through an Expression of Principles document. In this, TSN has further refined its plans for decarbonisation with the potential to reduce CO2 emissions by five million tonnes a year by 2030. These plans will need Dutch Government financial and regulatory support. In the UK, Tata Steel continues to hold talks with the UK Government around support for decarbonisation plans.
Financing	
TSE is financed in part through external bank facilities referred to as the senior facility agreement ('SFA'). There are no payments due under the SFA until 2024/25. The SFA facility is provided by a syndicate of international banks and provides flexibility to fund future capital expenditure schemes. Servicing of interest payments in challenging trading conditions continues to represent a risk to the business. TSE is committed to long term financial independence and during 2019/20 a significant amount of debt to TSE from TSL Group companies was converted into equity or waived. Nevertheless certain short term funding is still provided by TSL Group companies to the UK business.	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. For example, in response to the COVID-19 pandemic in 2020/21, TSE was able to put in place a trade receivables securitisation facility for its Netherlands operations at short notice and to refinance an external loan facility for its UK operations. For further details see page 20.

A2. Principal risks and uncertainties

Risks	Mitigating factors
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 declining 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. 1 January 2021 marked the end of the Transition Period following the UK's departure from the European Union on 31 January 2020. Strong advance preparation across the Group ensured that the transition to the new trading environment went smoothly with plans successfully deployed to ensure full compliance with new border processes and regulatory requirements. However, the impact of Brexit along with the ongoing pandemic did result in some major challenges particularly in logistics and haulage where demand out stripped supply. This remains an ongoing challenge and the Group estimates that process and transport costs have increased by around 15% because of Brexit. In addition, the establishment of UK specific steel safeguards in the EU (and vice versa) has led to tariffs being paid in some cases due to disparities in the application of the safeguards.	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. Whilst the start of 2021/22 has been characterised by a strong European steel market with demand outpacing supply and no significant increase in trade imports, how long the current situation lasts remains to be seen. In case of a significant downturn in demand for steel products once the market has stabilised, the type of short term measures that TSE applied at the beginning of 2020/21 when the COVID-19 pandemic started could be reintroduced. Such measures include deferral of capital expenditure, short term reductions in production levels, and a strong focus on control of costs. In response to the establishment of UK specific steel safeguards in the EU (and vice versa), along with the disparities in application of those safeguards, the Group is lobbying to address the issues and awaits the outcome of the extension reviews on whether these safeguard measures will be continued beyond the end of June 2021. TSE will continue to monitor and respond to the emerging legislation in the UK as it establishes a standalone regulatory environment post Brexit.
Long term competitiveness	
The Group'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 and competing materials challenge the long-term competitiveness of TSE's strip products. 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 improvement initiatives is the TSE Transformation programme, which aims to deliver operational commercial and supply chain improvements and reach sustainable levels of EBITDA. 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.

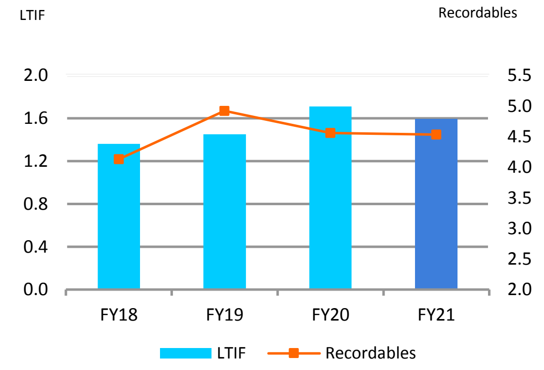
A2. Principal risks and uncertainties

Risks	Mitigating factors
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.
Raw materials and energy	
The Group has limited access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depend, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. Exposure to raw material shortages has not been a high risk historically, though is going to need to be managed effectively for a period of time following the impact of the COVID-19 pandemic. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of the vessels if they come from a 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 mitigated by the implementation of self-generation of electricity and by initiatives to improve the Group's energy efficiency, which continue to make significant progress.
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.
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.	Significant investment has been committed to combat the threats that have emerged from cyber incidents, which include continuing development of a central Security Operations Centre, and process control security projects to manage local security incidents and 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:



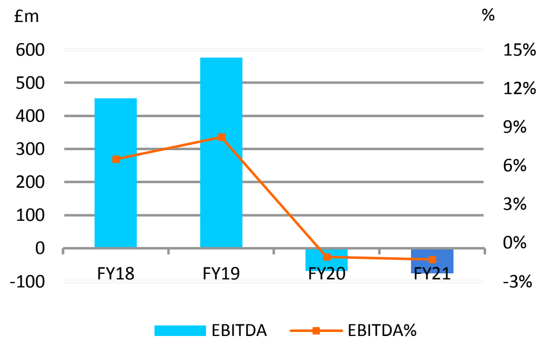
Rationale

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

Comments

- LTIF was 1.59 in 2020/21, which compares to 1.71 in 2019/20.
- The recordables rate, which includes lost time injuries as well as minor injuries, improved again from 4.92 in 2018/19, 4.56 in 2019/20 to 4.53 in 2020/21.

EBITDA & EBITDA Margin:



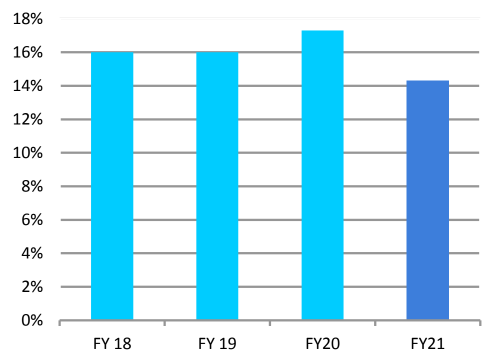
Rationale

- 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.

Comments

- EBITDA in 2020/21 decreased to £(76)m (2019/20: £(69)m) and the EBITDA margin to (1)% (2019/20: (1)%) due mainly to the impact of the COVID-19 pandemic which reduced the demand for the Group's steel products in the first half of 2020/21.
- See page 19 for a reconciliation of statutory profit to the EBITDA Alternative Performance Measure (APM).

Working capital/turnover:



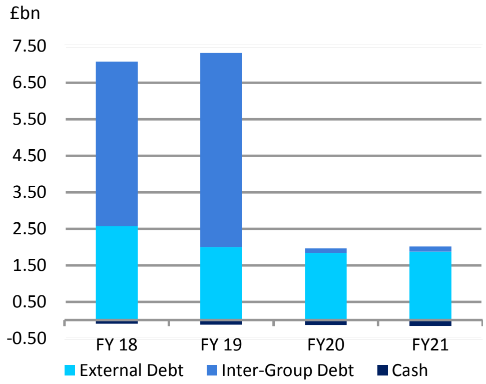
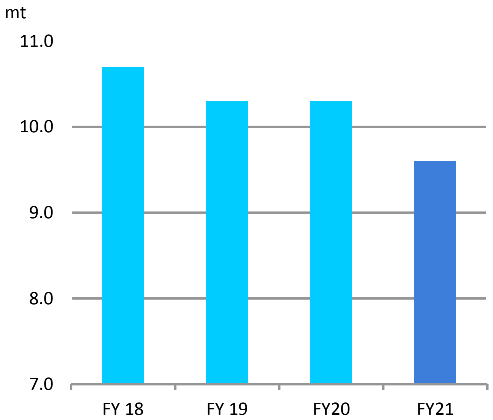
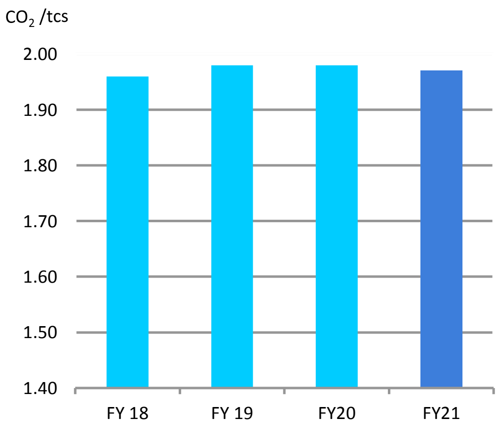
Rationale

- This shows year-end working capital as a percentage of the annualised quarter 4 revenue for each relevant year.
- It measures how efficiently the Group manages its raw material, steel and other inventories, and payment terms and cash flow with suppliers and customers.
- It excludes the impact of arrangements with TSL group companies (see Note 33).

Comments

- The working capital to turnover ratio decreased to 14.3% in 2020/21 from 17.3% in 2019/20. This is largely due to tight control of working capital during the COVID-19 pandemic.

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 2021 was £1,853m (2019/20: £1,827m). For further details see Note 31. • The significant decrease in net debt from 2018/19 to 2019/20 was mainly due to the conversion of £3.6bn of inter-group debt into equity and a further £1.9bn of inter-group debt formally waived. • The slight increase in net debt during 2020/21 was mainly due to additions of IFRS 16 leases.
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 9.6mt in 2020/21 (2019/20: 10.3mt) with the lower level due to the impact of the COVID-19 pandemic and resulting demand reductions. • During the year 6.2mt of liquid steel was produced at IJmuiden (2019/20: 6.8mt) and 3.4mt at Port Talbot (2019/20: 3.5mt).
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 16.	• The Group's weighted average emission from its two steelmaking facilities (worldsteel Scopes 1+2+3) was 1.97 tCO2/tonne crude steel in 2020/21, showing a small improvement compared to the previous year (2019/20: 1.98). The most recent year for which worldsteel has reported benchmark data is 2019, during which the average emissions intensity for integrated steelmaking (on a like for like basis to that reported here) was 2.30tCO2/tcs. The Group's emission performance is thus substantially better than the worldsteel average benchmark. The worldsteel average is based on data reported from participating companies, covering 165 steelmaking facilities, which collectively accounted for c. 20% of global production.

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 in 2020 was heavily affected by the COVID-19 pandemic. The impact of the lockdowns throughout the world was mitigated by various forms of government stimulus. Despite the stimulus, global GDP growth declined by -3.7%, its lowest since 1946 (2019: increase of 2.5%). In China GDP growth decelerated but remained positive at 2.0%, after a significant rebound in the second half of the year (2019: 6.0%). The EU economy declined by -6.3% (2019: growth of 1.5%) and the UK economy declined by -9.8% (2019: growth of 1.4%). Both services and manufacturing were negatively impacted by the lockdowns and whilst manufacturing recovery came back quickly, the recovery for services has been slower.

Steel demand and production

Global steel demand declined in 2020 by -0.2% in line with the adverse macroeconomic conditions (2019: growth of 3.7%). Whilst demand for steel in China increased strongly at 9.1% (2019: 9.1%), steel demand in the EU declined by -11.4% (2019: -5.4%). In the EU, the automotive sector was impacted significantly by the lockdowns in the beginning of 2020. The production of vehicles came almost to a standstill in April. For the full year the number of vehicles produced declined by -24.2%. Machinery and construction were also impacted by the pandemic and output declined by -12.3% and -4.4% respectively.

In 2020 global steel production declined by -0.9% (2019: growth of 3.1%). Steel production in China increased by 5.9% (2019: 7.9%) and equated to 58% of global steel production. In the EU production was reduced by -12.0% (2019: -6.4%).

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 2020/21 to US$128/t (+$33/t). The price increased due to strong demand from China. The hard coking coal spot price (Australia FOB) decreased to US$117/t (-$48/t) as demand from ex-China was relatively low and China stopped importing coal from Australia. In October 2020 the Chinese authorities implemented a ban on Australian coal. As a consequence of this, the steel mills started to buy coal from, amongst others, Canada, the US and Mongolia instead. The German benchmark scrap price (Sorte 2/8) increased to €241/t (+€21/t) compared to the previous financial year.

The price of CO_2 increased in 2020/21 to €28/t (+€3/t), reaching an all-time high in March 2021 at €41/t. Reforms of the EU Emissions Trading System have reduced the supply of permits causing the price to rise. Also, the carbon price was supported by the raising of the target by the EU to reduce emissions by at least 55% by the year 2030, instead of 40% previously.

The European steel spot Hot Rolled Coil price (Germany, parity point) increased in 2020/21 to €534/t (+€65/t). Margins increased strongly in the second half of the fiscal year as the demand for steel recovered whilst supply was limited.

Trade

In 2020 imports into the EU declined to 21.2Mt (2019: 25.4Mt). Low margins made it less profitable for exporters to sell material into the EU. In 2020 the market share of imports in the EU declined to 14.5% (2019: 15.2%). The market share of imports in the EU remains high historically.

The EU remains a net importer of steel with net imports of 3.5Mt (imports: 21.2Mt, exports: 17.7Mt). The region became a net importer in 2015.

1 January 2021 marked the end of the Transition Period following the UK's departure from the European Union on 31 January 2020. The impact of this separation on TSE was significant. The company moves 1.4Mt between the UK and the EU both as external sales to customers and internal supply between upstream and downstream businesses. Over two thirds of this total volume is UK to EU trade, which represents 25% of TSUK output.

Many of TSE's customers in the automotive, construction, packaging and engineering sectors are supplied across multiple UK and EU destinations. TSE received high levels of positive feedback from the market regarding the level of preparedness and support during a challenging time resulting in no significant issues at any customer.

Prospects for 2021

In 2021 global economic growth is expected to be high as COVID-19 restrictions are eased. The World Steel Association predicts that growth of global steel demand will recover to 5.8%. EU steel demand is expected to recover by 10.2%, thereby staying slightly below the pre-COVID-19 level.

Civil society advocacy

TSE continuously engages with governments at various levels and other civil society stakeholders, such as non-governmental organisations, to inform the elements of public policy and regulation relevant to its business. Its objective is to help create the right conditions for a sustainable steel industry 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. The publication of the EU's "Green Deal" and adoption of net zero emissions targets by national governments, including the UK, has focused attention on the need for the steel industry to reduce its CO2 emissions. Engagement has centred on ensuring national governments do not prefer one breakthrough technology at the expense of others and ensuring the business secures the right policy environment for industrial decarbonisation.

Following the end of the Transition Period after the UK's withdrawal from the European Union (EU) on 31 December 2020, TSE has been closely monitoring trade and regulatory changes and providing feedback to governments. The business consistently fights for a level playing field against unfairly priced steel imports 'dumped' into Europe, including the continued threat of US tariffs on steel imports, and continues to make the case for the renewal of existing steel safeguards in the EU and 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 dominated by the COVID-19 pandemic TSE responded 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 doing 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 maintain safe and healthy working environment and to recognise the challenges to employees health, mental health, and wellbeing throughout the year. Practices developed were shared across the Tata Group and industry forums as the organisation successfully rose to the challenge.

With this backdrop safety performance overall improved. There were no fatal injuries in the year following the two tragic fatal events in the previous year. The combined lost time injury frequency (LTIF) rate in 2020/21 for employees and contractors improve slightly to 1.59 compared to 1.71 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, improved again from 4.92 in 2018/19, 4.56 in 2019/20 to 4.53 in 2020/21. There were zero actual consequence Loss of Containment events and 5 potential consequence severity events (High Potential Incidents) across TSE.

In order to drive performance improvement further on all aspects of occupational safety, health, and process safety a number of measures have been taken. As well as the continued investment in health and safety capital schemes across the Group, progress continues to be made on a health and safety Transformation plan previously agreed with the senior leadership team. The plan covers a number of new and ongoing initiatives including the further deployment of the five key health and safety commitments for all employees, deployment and auditing of codes and practices to reduce fatality risk, increasing capability and competence in process safety knowledge and leadership, behavioural interventions, development of a Healthy TSE programme and a move to a more digital approach to support site health and safety teams, and the development of management systems in line with ISO 45001 to improve the maturity of the current management system. All of these will continue into 2021/22.

Employee numbers

At 31 March 2021 the number of employees in the Group decreased to 20,100 compared to 20,400 at 31 March 2020.

The changes in the year were largely due to headcount reductions aligned with the Transformation programme and delivered mainly through managing natural attrition.

Employment policies

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

TSE, as part of a trans-national, multi-cultural group, is committed to providing an environment that recognises and values the differences in employee backgrounds and skills and to provide equality of opportunity for all employees and seeks to maximise the benefits available from a diverse workforce. The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities; for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed; and for the training, career development and promotion of disabled persons employed by TSE. Throughout the pandemic TSE has adapted its working practices to ensure the safety of employees and enabled large numbers of employees to work more flexibly. Through TSE's Future Workplace initiative the intention is 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 2021 there was regular engagement with employee representatives of our European Works Council and across the organisation initially regarding the proposed Transformation programme and subsequently on the proposed creation of separate TSN and TSUK businesses within TSE and the potential sale of TSN to SSAB. The potential transaction is no longer proceeding but the dialogue on the creation of separate businesses will continue into the year ahead.

UKSE 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 and also included the full gender pay report on TSE's external internet site.

Relative to national and industry statistics TSUK's gender pay gap (-1.41% mean gender pay gap and 4.58% median gender pay gap) continues to be at the lower end. Whilst we continue to progress our diversity and inclusion roadmap and our mean gender pay gap shows a result in favour of women, this year's gender pay result has inevitably been affected by the number of people furloughed earlier in the year due to the COVID-19 pandemic. 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 2021 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 20.

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 2021. The statement will be issued by TSE on behalf of itself and its relevant subsidiary companies and 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. For 2021 the event was held virtually and saw global on-line audiences in excess of 700,000.

In the UK, TSE 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 Group also sponsors notable local events which promote community spirit and raise much needed funds for good causes and charities in the local area.

Sustainability

Sustainable in Every Sense

TSE has set out its mission to build the leading European steel business that is sustainable in every sense. It has developed a strategy for playing a positive role in shaping a sustainable society for generations to come, based on the United Nation's Sustainable Development Goals. The strategy focuses on three pillars:

- Being a responsible steel supplier: the Group is committed to ensuring its raw materials are sourced from responsible supply chains and in accordance with sustainable business practices.
- Leading in carbon neutral steelmaking: as an innovator in carbon neutral steelmaking, the Group is committed to transforming the way sustainable steel is produced, whilst ensuring a safe and healthy work environment and local environment.
- Enabling customers to become more sustainable: the Group will ensure that its customers can rely on its sustainable solutions and expertise to help them improve the sustainability of their value chains and create the sustainable products which society needs.

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.

Recognition

The 2020 worldsteel Sustainability Champions were announced by worldsteel in April 2021. TSE was recognised as a worldsteel Sustainability Champion for its performance and efforts in 2020, having met all the criteria for recognition, namely; being a signatory of the worldsteel Sustainable Development Charter, participating in the worldsteel Life Cycle Inventory data and Sustainability Indicators programme, publishing a sustainability-related report and having been shortlisted for a worldsteel Steelie Awards. The Group is one of only nine companies to be recognised as a Sustainability Champion for 2020 and is one of only three companies to have been named a Sustainability Champion in each of the four years that the scheme has been operated.

All the Group's manufacturing operations are independently certified as meeting the international environmental management system standard, ISO 14001:2015. All of the products manufactured by the Group in the UK and Netherlands are independently certified as meeting the requirements of the sustainable sourcing standard, BES6001.

Climate Action

Climate change is one of the most pressing issues the world faces today. TSE is determined and committed to being part of the solution rather than part of the problem. It is already delivering on this commitment through the products that it makes and through its leadership in the field of steel industry decarbonisation. The Group has stated its commitment to produce steel in a carbon-neutral way, and to reduce its CO_2 emissions by 30% by 2030 (compared to those in 2018).

Public Policy Environment

The UK and Netherlands governments have sought to take leadership positions in global climate action. The European Union is to legislate to achieve net-zero emissions by 2050. The UK Government has already legislated for this and in early 2021 announced that it will accept 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). The UKCCC has also recommended that ore-based steelmaking in the UK achieve 'near-zero' emissions by 2035.

TSE is supportive of the strong leadership position on climate action that the UK and Netherlands governments have taken. The Group is committed to working closely with policymakers to deliver an 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 UK and Netherlands 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. The Group is supportive in principle of the EU's proposed Carbon Border Adjustment Mechanism and the expression of intent by the UK Government to investigate the feasibility of introducing a similar approach, but 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 in TSE

Together with the Dutch Government, TSN has laid out its CO_2 reduction ambitions through an Expression of Principles document in which it has further refined its plans for decarbonisation with the potential to reduce CO_2 emissions by five million tonnes a year by 2030. This would be an ambitious step towards helping the Netherlands in reaching the goals of the Dutch Climate Agreement. At the same time, TSN has submitted an application to its regional authority, Province of Noord-Holland, for a permit which could lead to a significant reduction of CO_2 emissions from the IJmuiden steelworks. The plans involve; (i) capturing CO_2 from the two IJmuiden blast furnaces and storing it in empty North Sea gas fields, and, (ii) using by-product gases from the blast furnaces to produce 100,000 tonnes of hydrogen a year which would be used to help make steel and to supply a future national hydrogen network. If the plans are approved and the necessary funding agreed, this would lead to a 40% reduction in CO_2 emissions from the Group's IJmuiden steelworks by 2030, equal to five million tonnes a year.

In the UK, the government published its Industrial Decarbonisation Strategy in March 2021, the stated aim of which is to create a "thriving industrial sector aligned with the net zero target, without pushing emissions and business abroad", with the costs and risks shared "fairly between industry, its customers and the taxpayer". The strategy also includes £171m from the Industrial Decarbonisation Challenge allocated to industrial decarbonisation 'clusters,' to undertake engineering and design studies for the rollout of decarbonisation infrastructure. This includes £20m for the South Wales Industrial Cluster (SWIC), of which Tata Steel is a substantial part. Coupled with the industrial contributions, the SWIC engineering and design project is worth approximately £37m.

Tata Steel is engaging with the UK Government, along with the rest of the steel sector and employee representatives, in the re-convened Steel Council. This has established a shadow group comprising Ministers and officials from the UK, Welsh and Scottish Governments, steel company representatives and trade unions to work up a UK steel sector decarbonisation roadmap, with a remit to define the technology options available, the timetable for achieving decarbonisation and the policy interventions needed to incentivise domestic steel production and consumption of 'green steel.'

As the world stands at the threshold of a new industrial revolution – the transition to low carbon manufacturing – the Group is providing leadership in developing green technologies. For example:

- HIsarna: Work is continuing on a major long-term project to develop HIsarna, a new smelting reduction technology for which it co-owns the intellectual property rights, to produce steel without the need for coke making or agglomeration processes, thereby improving efficiency, reducing energy consumption and reducing CO_2 emissions. The pilot plant is located at IJmuiden.
- Project Everest: The Group is currently engaged in the first phase of its Everest project to capture CO_2 from the blast furnaces in the relatively short term, and to transport it to former gas fields under the North Sea for storage. In the second phase, it will use blast furnace emissions for conversion into sustainable raw materials for the chemical industry and synthetic fuels.
- H2ermes: Tata Steel, Nouryon and Port of Amsterdam are engaged in Project H2ermes, which envisages the construction of a 100 MW green hydrogen plant at the TSN site in IJmuiden.
- Project Athos: This project is connected to Everest and HIsarna and examines the feasibility of carbon capture and storage (CCS) under the North Sea as well as carbon usage. The transport and storage system aspect of this project will build new infrastructure for the Amsterdam region, using existing infrastructure as much as possible. It will be owned and operated by a third party.

CO2 Emissions Performance and Emissions Trading

Even with the Group's decarbonisation activities moving forward at pace, it is nevertheless still important to ensure that its assets remain highly efficient in the short term. The Group reports its CO_2 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 Group's weighted average emission from its two steelmaking facilities (worldsteel Scopes 1+2+3) was 1.97 tCO_2/tonne crude steel in 2020/21, showing a small improvement compared to the previous year. The most recent year for which worldsteel has reported benchmark data is 2019, during which the average emissions intensity for integrated steelmaking (on a like for like basis to that reported here) was 2.30tCO_2/tcs. The Group's emission performance is thus substantially better than the worldsteel average benchmark. The worldsteel average is based on data reported from participating companies, covering 165 steelmaking facilities, which collectively accounted for c.20% of global production.

The Group met its environmental obligations in Phase 3 (2013 to 2020) of the EU Emissions Trading System (EU ETS), although the allocation of CO_2 credits to its operations continued to be lower than the emitted volume in 2020 with the aggregate shortfall between free allowances and actual emissions exceeding 1.5 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. From the start of 2021, the Group's UK operations have ceased to be part of EU ETS and have become part of a new UK Emissions Trading System (UK ETS), the design of which is based substantially on that of EU ETS. Increasing shortages and rising prices of EUAs mean that steelmakers need to deal with growing costs of carbon while also investing in a decarbonised future. The Group announced in April 2021 that it would be introducing a carbon surcharge mechanism of £10 / €12 per tonne of steel to pass on some of its costs to the market. By explicit carbon pricing, the Group is seeking to drive awareness and action in the value chain towards innovation and investments in a decarbonised future.

As part of the national CO2-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. This Netherlands specific 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/tCO2 in 2021 to €125/tCO2 in 2030. A number of dispensation rights apply to ensure companies only pay the tax on a proportion of emissions above defined benchmarks. In light of the strength of the EUA price, the carbon tax is not expect to apply to TSE's Netherlands operations within the next few years.

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 vital part of modern society and is essential for sustainable development. It is needed to make vehicles lighter and more efficient whilst helping to shape future forms of mobility. It will be a fundamental building block of the carbon neutral cities of the future. Its use in innovative packaging solutions underpins resilience within the food supply sector. Steel is also at the heart of renewable electricity generation and transmission and will play a crucial role in the upscaling of hydrogen production and conveyance. As a strong, durable, flexible and infinitely recyclable material, steel will be at the heart of the future circular economy, in which resources are used with great efficiency, leading to the elimination of waste.

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 TSE ahead of other international steel companies.

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.

During 2020/21, representatives of the local community around the Group's IJmuiden and Port Talbot steelworks raised important concerns related to the impact of the steelworks on local environmental conditions. The Group received over 4,500 complaints from members of the community around its sites, these related to concerns about odour, noise and dust.

Against this background, the Group has responded by intensifying its dialogue with the people living near its main steelmaking sites and strengthening its focus on addressing the most immediate concerns as part of an overall improvement plan for the years ahead. TSE always has and always will deeply value the wellbeing and prosperity of everyone who forms a part of the communities in which it operates and is committed to reducing the environmental impact it has on its surroundings.

Roadmap+

The Group launched Roadmap+ in December 2020, a large-scale investment programme worth ~€300M intended to improve environmental performance at its IJmuiden steelworks between 2020 and 2030 by addressing the concerns of the surrounding community on areas such as dust, noise and odours. This represents a further development and deployment of the original Roadmap 2030, launched in 2019. The strengthened roadmap comprises a number of concrete measures that will address (i) nuisance created by odour and coarse dust, (ii) the impact on local air quality of fine dust, substances of Very High Concern (e.g. PAH, lead) and NOx and, (iii) eutrophication and (therefore) biodiversity impacts created by NOx deposition. Individual projects are to be executed according to a time scale depending on organisational capabilities, finance and expectations from the local communities. The publication of Roadmap+ represents a major step forward to show TSE's continued commitment to the environment to respond to community concerns.

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 and, for the purposes of comparison and consistency, equivalent information to that required for SECR compliance in the UK has also been provided for the integrated steelworks at IJmuiden in The Netherlands. It should be noted that the apparent disparity in the total energy use and emissions, per tonne liquid steel, between the two sites is heavily influenced by the export of a large part of the works arising fuel gases at IJmuiden to an external power generation company and the consequent exclusion of this element from the energy and emissions totals. In Port Talbot this power generation occurs within the site boundary and the energy consumption and associated emissions of the works arising gases are thus included in the site totals.

Most of the carbon emissions associated with the manufacture of the Group's products occur at integrated steelworks, where iron ore and coal are brought together in the blast furnace process. These are already very efficient works 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.

TSE 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 plans to commission a new 30MWe steam turbine in June 2021, which will provide an estimated 13MWe increase in the average amount of electricity generated from the site through increased capacity and efficiency. The additional electricity generated will reduce the amount of electricity taken from the national grid, equivalent to the saving of 50,000 tonnes of CO_2 per annum. The Group is currently commissioning an innovative system in the reheating furnaces at the Port Talbot hot rolling mill which uses lasers to measure the efficiency of fuel combustion, with a view to substantially optimising fuel rates and therefore emissions.

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. This has already led to the site increasing its capacity in 2020 to store process gases from the coke ovens, enabling it to harness even more of this valuable energy source. Also during 2020, an investment was made in a new, efficient blower at the blast furnaces at IJmuiden.

GHG emissions and energy use 2020/21

	Scope	Units	UK[1]	Netherlands[1]
Gaseous fuel for combustion[2]	1	kWh	9,040,758,357	10,186,526,111
Fuel for transport and business travel[3]	1	kWh	14,133,296	30,276,905
Purchased electricity[2]	2	kWh	647,372,722	1,842,089,565
Fuel for transport and business travel[3]	3	kWh	15,742,784	42,028,368
Energy consumption based on above		**kWh**	**9,718,007,159**	**12,100,920,949**
Emissions from gaseous fuel[2]	1	tCO_2e	5,335,489	4,494,630
Emissions from fuel for transport and business travel[3]	1	tCO_2e	3,780	7,722
Emissions from purchased electricity[2]	2	tCO_2e	149,569	788,486
Emissions from fuel for transport and business travel[3]	3	tCO_2e	4,285	11,447
Total gross emissions		**tCO_2e**	**5,493,123**	**5,302,285**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.641**	**0.854**

GHG emissions and energy use 2019/20

	Scope[1]	Units	UK[2]	Netherlands[2]
Gaseous fuel for combustion[3]	1	kWh	9,669,550,521	10,777,273,056
Fuel for transport and business travel[4]	1	kWh	23,574,760	40,336,277
Purchased electricity[3]	2	kWh	769,424,393	1,849,676,963
Fuel for transport and business travel	3	kWh	40,440,882	79,278,338
Energy consumption based on above		**kWh**	**10,502,990,556**	**12,746,564,634**
Emissions from gaseous fuel[3]	1	tCO_2e	5,662,973	4,871,225
Emissions from fuel for transport and business travel[4]	1	tCO_2e	6,306	10,719
Emissions from purchased electricity[3]	2	tCO_2e	195,111	791,733
Emissions from fuel for transport and business travel	3	tCO_2e	11,199	21,842
Total gross emissions		**tCO_2e**	**5,875,589**	**5,695,519**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.688**	**0.840**

Notes

1. UK assets covered within the scope of this report are those within Tata Steel UK Limited ('TSUK') and the exemption to exclude legal subsidiaries that did not meet the definition of "large" was applied. Netherlands assets cover Tata IJmuiden B.V ('TSIJ') only, which represents the vast majority of the total consumption. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the EU Emission Trading System (EU ETS); where available, site specific conversion factors were used and if 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 3rd party supplies. Greenhouse gas emissions are reported as CO2e but only include CO2 emissions.

2. Only imported electricity reported (electricity generated on-site is not included but the associated emissions are included in the gaseous fuel emissions). The energy combusted by, and emissions from, off-site power generation plant using works arising gases exported from the site, are excluded from the TSIJ figures. The respective grid emission factors taken for the UK and The Netherlands were 0.23104 kg and 0.369 CO2/kWh respectively.

3. 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. Business use of Netherlands private lease cars is estimated at 50% of total use. Fuel claims and on-site fuel use were treated as Scope 1 where they related to leased vehicles (as per IFRS 16). 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 and CE Delft for the Netherlands. If unknown, vehicle type and fuel consumption per km, were based on national averages. The significant reduction in fuel for transport & business travel in 2020/21 is attributed to the global pandemic.

4. Part of the data has been subject to 3rd party verification conforming to EU ETS rules and regulations. This covers the period April to December 2020 (2019/20: April to December 2019) only and includes 99.5% (21019/20: 99.4%) of the TSUK natural gas consumption, 100% (2019/20: 100%) of TSIJ natural gas consumption and 100% (2019/20: 100%) of the consumption of works arising gases at Port Talbot.

Research & development

Research & Technology programme

Approximately 76% of the TSE technology programme was developed under the governance of the Global Expert Committees ('GECs') of TSE. The GECs 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 CO_2 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). Studies on this plant to further understand the process and to design the next generations are ongoing. Engineering for upscaling (a 1mt demo plant) has commenced and will continue in FY22. Two other important aspects that have been worked on are the capture of CO_2 (engineering study) and the use of zinc containing reverts;
- Physical vapour deposition, a cold zinc coating technology that allows an extension of TSE's zinc coated product range towards the future ultra high strength steel automotive grades well above 1000 MPa. The main focus has been on continuous liquid feeding of zinc into the vacuum chamber;
- Laser texturing of strip surfaces to create unique roughness profiles that combine both formability and paint appearance. This successful project will merge with GEC projects in the coming year;
- Ultra-flexible annealing of tubes that allows multiple end product specifications to be produced from a limited number of chemistries, whilst improving the properties of the end product. The market has been chosen and the project has moved to the GEC automotive. R&D is assisting Tubes in the design of the first production installation;
- Use of advanced analytics to introduce fundamental changes in manufacturing and all TSE business processes such as sales and marketing. This also included a model for asset utilisation;
- 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 tonne);
- 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; and
- Studies into alternative reductants and pre-reduced agglomerates have started.

Process development

The process technology programme in 2020/21 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 2020/21 were:

- Studies to reduce energy consumption by applying alternative sinter granulations;
- Implementation of several improvements in the process routes to improve stability, e.g. the reduction of defects in the galvanizing lines by tuning the burner settings, improved strip steering control to prevent tail end damage, and reducing the number of rejects by improved control of annealing processes; and
- The castability of several new grades was assessed on feasibility to implement in TSE's production lines;

Product market sector developments

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

During 2020/21 a total of 16 (2019/20: 21) new products were introduced into the Group's product portfolio. These included:

- VALAST 450: abrasion resistant steel grade for the engineering sector;
- XPF 800 for tubes: cost-effective high-strength alternative to Boron steel;
- MagiZinc 310: products with superior corrosion protection, even at cut edges.

Post balance sheet events

On 28 May 2021 Royal Decree was granted in the Netherlands to change the loss compensation for corporate income tax effective from 1 January 2022. If this change in tax rate had been enacted prior to 31 March 2021, the deferred tax asset recognised by the Group would have been lower by around £50m and the taxation charge in the income statement would have been higher by the same amount.

£m	2020/21 Before exceptional items	2020/21 Exceptional items (Note 2)	2020/21 After exceptional items	2019/20 Before exceptional items	2019/20 Exceptional Items (Note 2)	2019/20 After exceptional items
Liquid steel production (mt)	9.6	-	9.6	10.3	-	10.3
Steel deliveries (mt)	8.8	-	8.8	9.3	-	9.3
Revenue	**5,773**	-	**5,773**	**6,202**	-	**6,202**
EBITDA	**(76)**	-	**(76)**	**(69)**	**782**	**713**
Depreciation and amortisation (net of grants)	(253)	-	(253)	(270)	-	(270)
Operating (loss)/profit before restructuring, impairment and disposals	**(329)**	-	**(329)**	**(339)**	**782**	**443**
Restructuring, impairment and disposals	(158)	-	(158)	(299)	-	(299)
Operating (loss)/profit	**(487)**	-	**(487)**	**(638)**	**782**	**144**
Net finance (costs)/income	(149)	-	(149)	(222)	1,118	896
Share of post-tax results of joint ventures and associates	7	-	7	3	-	3
(Loss)/profit before taxation	**(629)**	-	**(629)**	**(857)**	**1,900**	**1,043**
Taxation (charge)/credit	(164)	-	(164)	166	-	166
(Loss)/profit after taxation	**(793)**	-	**(793)**	**(691)**	**1,900**	**1,209**

Profit and loss

Group revenue of £5,773m in 2020/21 was 7% lower than the previous year due to a 2% decrease in average revenue per tonne and a 5% reduction in deliveries. The COVID-19 pandemic caused a sharp reduction in demand in the first half of the year although both demand and selling prices increased strongly in the second half of the year once the initial disruption from national lockdowns had passed.

The operating result before restructuring, impairment and disposals in 2020/21 was a loss of £329m compared to a profit of £443m in 2019/20. The prior year included an exceptional credit of £782m in respect of a waiver by TSGH of principal debt liabilities of £774m, provision adjustments for potential customer claims of £11m offset by a £3m charge for costs associated with the BSPS pension restructuring. Excluding these exceptional items the operating loss before restructuring, impairment and disposals in 2020/21 was £10m lower than the loss of £339m in 2019/20 with the Group managing to mitigate the loss of revenue due to the COVID-19 pandemic by reducing costs and utilising available government COVID-19 support schemes which benefitted employments costs by £61m (see page 53 for further details). In addition, the final quarter of 2020/21 experienced much stronger market conditions helping to offset losses in the earlier part of the year which contrasted with the weak market conditions, and low profitability, experienced throughout 2019/20.

Restructuring, impairment and disposals was a charge of £158m in 2020/21, £141m lower than 2019/20 due primarily to a lower impairment charge relating to write down of assets mainly in the UK.

The net finance credit in 2019/20 included an exceptional gain of £1,118m due to the waiver by TSGH of interest owed by the Group. Excluding this exceptional item, net finance costs were £73m lower in 2020/21 at £149m, mainly due to lower amounts of interest due to group companies following the significant waiver and conversion of debt to equity within the 2019/20 year which more than offset a credit of £130m arising from the refinancing of the SFA in the prior year.

Taxation was a net charge of £164m in 2020/21 compared to a net credit of £166m in 2019/20. This was mainly due to a UK deferred tax charge of £187m (2019/20: deferred tax credit of £128m) recognised in the income statement to offset a net deferred tax credit in other comprehensive income relating mainly to BSPS actuarial losses. In addition there was a £23m lower credit to overseas deferred tax in 2020/21 than compared to 2019/20 due to an increase in deferred tax assets in respect of tax losses recognised in the Netherlands following a change to the corporate tax rate in 2020/21 being lower than the increase in deferred tax assets in respect of tax losses recognised in the Netherlands following the conversion of debt to equity in 2019/20.

The loss after tax before exceptional items in 2020/21 was £793m, £102m worse than 2019/20 due mainly to the higher taxation charge offset partly by lower restructuring, impairments and disposals and lower finance costs.

The Group result after taxation and exceptional items in 2020/21 was a loss of £793m (2019/20: profit of £1,209m) with a loss of £793m (2019/20: profit of £1,210m) attributable to the owners of the company and £nil (2019/20: £1m loss) attributable to the non-controlling interest in TSUK.

Financing

The majority of the external borrowings of the Group are accounted for by the SFA. On 4 February 2020 TSE successfully completed a refinancing of the SFA on more flexible terms and better pricing. The refinancing not only reduced the interest cost for TSE but also significantly improved the maturity profile, with the first repayment of the €1.75bn debt not due till 2024/25.

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. The SFA comprises a five year bullet term loan of €410m and a six year bullet term loan of €1,340m.

On 19 June 2020 Tata Steel Europe Limited entered into a new £200m short term loan facility with an external bank. On the same date the full amount of the facility was drawn as a loan with duration of 180 days which was subsequently renewed for another 180 days on 16 December 2020.

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 2021.

On 12 August 2020, Tata Steel IJmuiden BV ('TSIJ') entered into a new 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 £300m on a non-recourse basis.

Certain short- term funding is provided by TSL group companies to the UK businesses. For further details, please see note 33.

Acquisitions and Disposals

On 13 November 2020 TSL announced that it had initiated discussions with SSAB in Sweden based on interest received for the potential acquisition of TSE's Netherlands business. In addition TSE initiated a process to separate Tata Steel Netherlands and Tata Steel UK in order to pursue separate strategic paths for the Netherlands and UK businesses. However, on 29 January 2021, discussions with SSAB about a possible sale of the Netherlands business ended after SSAB announced that there were limited possibilities to integrate the Netherlands business into its strategic framework. Despite the conclusion of the sales process, the process to separate the Netherlands and UK business continues with the aim to conclude separation in 2021/22 once the detail of the separation has been agreed with various subsidiary boards and employee representatives.

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. Building on the progress from the prior year where 76 subsidiaries were derecognised, in the current year TSE derecognised a further 4 of its subsidiaries in 2020/21. This was achieved as follows:

- Dissolution of Smith, Druce Stainless Limited a non-trading subsidiary in the UK;
- Liquidation of CBS Investissements SAS following its merger into Tata Steel France Batiments et Systemes SAS;
- Liquidation of Tata Steel Denmark Byggesystemer A/S (a no longer trading Danish subsidiary);
- Liquidation of Cogent Power Inc (a US entity which no longer trades).

Full details of TSE's subsidiary companies can be found in note 36 of the accounts.

Cash flow

Net cash flow from operating activities in 2020/21 was an inflow of £382m (2019/20: outflow of £458m). This included a net cash inflow of £209m (2019/20: £232m) in relation to proceeds from trade receivables securitisation agreements, and a net cash inflow of £135m (2019/20: £nil) from the proceeds of emission rights sales in the UK.

The working capital to turnover ratio (excluding the impact of arrangements with TSL Group companies) decreased to 14.3% in 2020/21 from 17.3% in 2019/20. This is largely due to tight control of working capital during the COVID-19 pandemic.

Net cash flow used in investing activities was an outflow of £297m (2019/20: £314m) due mainly to property, plant and equipment capital expenditure of £316m (2019/20: £370m).

There was a net cash outflow of £53m from financing activities (2019/20: inflow of £782m) mainly due to payments under leases. The net increase in cash and cash equivalents in 2020/21 was £32m (2019/20: £10m).

Capital expenditure

Capital expenditure on property, plant and equipment in 2020/21 at £316m (2019/20: £370m) was impacted by COVID-19 with certain projects delayed although there was spend on a number of major capital projects in both the Netherlands and the UK. In the Netherlands this included, within the Strip Products Mainland Europe business, significant capital expenditure on the Strategic Asset Roadmap Programme ('STAR') to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. Key STAR activities during 2020/21 included further work on the upgrade of a Cold Mill to enhance its reduction capabilities and work towards the installation of a new walking beam furnace for the Hot Mill (this scheme also reduces energy consumption so supports the national energy agreement with the Dutch government). In addition, spend was incurred on a scheme at the Sinter plant to reduce dust emissions along with initial work on the repair of a blast furnace at IJmuiden.

The main projects within the UK in 2020/21 included, within the Strip Products UK business, work to complete a project to extend the life of the Power Plant and further progress on the project to replace the electrostatic precipitator unit on the Sinter plant.

Balance sheet

TSE's consolidated net assets at 31 March 2021 were £2,212m (31 March 2020: £3,823m).

The reduction of £1,611m was due to the loss after taxation of £793m (2019/20: profit of £1,209m) caused mainly by the challenging trading conditions during the COVID-19 pandemic as well as impairment charges, and other comprehensive loss of £820m (2019/20: income of £520m) caused mainly by actuarial losses of £979m (2019/20: £666m gain) on defined benefit pension and other post-retirement plans (see page 38).

Net debt at 31 March 2021 amounted to £1,853m (31 March 2020: £1,827m). Of the net debt, approximately 7% (31 March 2020: 7%) was owed to Tata Steel group companies. Cash and short term deposits at 31 March 2021 amounted to £161m (31 March 2020: £138m). Further details on borrowings can be found in Note 18.

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 23.

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.

The Tata Steel Europe (TSE) Board is responsible for control and oversight of the Group's affairs, for setting strategic priorities, supporting stakeholder engagement including communication with TSE's ultimate parent company, Tata Steel Limited (TSL), in India. As is usual with large companies, the Board delegates authority for day-to-day management of the TSE Group to an Executive Committee led by the Chief Executive Officer, who set, approve and manage the execution of business strategy. In addition, certain governance responsibilities are delegated to Board committees (Audit, Remuneration, Pensions) which support the Board in carrying out its duties. The Board committees comprise executive and non-executive directors to provide appropriate external perspective and challenge. A TSE Board COVID-19 committee was established in April 2020 to support management respond to the global coronavirus pandemic and has met frequently during the pandemic.

The TSE Board promotes high standards of corporate governance throughout the organisation and holds regular scheduled meetings to consider matters relevant to the Group. Six Board meetings were held during the year ended 31 March 2021, with additional Committee meetings held as required. Due to Covid-19, these meetings were held electronically via Microsoft Teams rather than physically in person and decisions were also 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 refreshed and made available to all TSE directors via a Board Portal. TSE has an established Group Policy Framework which includes delegated authority levels applicable to senior management roles across the organisation, and which identifies those financial and commercial decisions reserved to the TSE and TSL Boards. The Board also considers guidance received by the TSL Board. The TSE 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 TSE Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSE Board has taken decisions in the year that it believes best support TSE's strategic objectives.

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

Each year, the TSE Board approves an Annual Plan for the TSE Group and monitors 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 2021, the Board has had to consider and respond to the impact of COVID-19 on the business and Annual Plan and review assumptions throughout the year.

As set out in the delegated authority framework, the Board reviews proposals for the allocation of capital expenditure to support the Annual Plan and future sustainability of the TSE Group. The Board takes 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 receives the highest priority.

The Board also reviews proposals for contracts greater than 5 years and other material items. As set out in the Corporate Governance statement on page 27 of the TSE Annual Report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

On 13 November 2020, TSL announced it was in discussions with Swedish steel company SSAB for the potential acquisition of TSN. In preparation for the sale, a process was initiated to separate Tata Steel UK and Tata Steel Netherlands businesses and move to a single value chain and flattened organisation structure. The Board considered and discussed the proposed sale transaction and approved the forward process for consultation on the separation of the UK and Dutch businesses. On 29 January 2021, it was announced that SSAB had concluded talks with TSL on the potential acquisition, and had decided not to move forward with the transaction. TSE has continued to pursue the separation of its businesses which the Board monitors. Separation of the businesses is also subject to consultation with employee representatives.

As part of its strategic review, the Board has monitored the progress and provided guidance in relation to a TSE Transformation programme which is focused on long term financial stability and sustainable value growth. In 2020/21, the programme was re-baselined to reflect the impact of Covid-19. The separation process for Transformation also commenced and is monitored by the Board.

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

As a governance and risk mitigation measure, in 2019, the Board endorsed a rationalisation programme to simplify the corporate structure which resulted in the members voluntary liquidation and/or dissolution of a number of entities across the Group. In 2020/21, the programme was paused due to Covid-19. In spite of this, 4 entities were placed into dissolution processes.

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 TSE Group's employees are set out in this Strategic Report and in the Corporate Governance statement on page 27 of the TSE Annual Report.

The Board has regard to the interests of TSE employees in its decision making and TSE engages with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver TSE's strategic objectives and prioritises the health, safety and wellbeing of its workforce. The Board also recognises that TSE's pensioner community remain important stakeholders.

In 2020/21, COVID-19 resulted in a new way of working for many employees who were either furloughed or working remotely. In agreement with unions, TSE's subsidiary TSUK agreed to provide an enhanced payment as part of the furlough arrangements so that employees received a minimum of 90% of base pay. TSE engagement with employees has increased to ensure that even though employees may be isolated they do not feel alone or excluded and there has been enhanced communication throughout the organisation including CEO videos, emails and bringing teams together online.

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 senior management roles to support the long term objectives of the TSE group, including changing the composition of a number of material subsidiary boards in December 2020. There are proposals for a new management structure based on single value chains when separation is implemented, which the Board has endorsed.

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

The Board has oversight over all stakeholder relationships and has regard to these relationships in its decision making.

Through the Chief Executive Officer, and the Commercial and Procurement functions, TSE develops strong processes to manage and enhance relationships with suppliers, customers and others. This includes understanding their evolving needs and new trends in order that TSE can adapt to meet those needs.

Further information can be found in the Strategic Report and in the Corporate Governance statement under Principle 6 on page 30 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 TSE operates and reviews environmental performance against TSE goals. A key ambition is that TSE should be carbon neutral by 2050. More details of TSE's decarbonisation objective can be found in the Strategic Report on page 13 of the TSE Annual Report.

As a major employer, TSE acts as a cornerstone for local businesses. TSE also supports a number of community initiatives working under a "Future Generations" theme including Kids of Steel. TSE 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 12.

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

The Board is committed to maintaining the reputation of TSE 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 27. 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.

TSE expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. The TSE Board reviews and approves control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. TSE has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. TSE 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 re-registered as a private company and in 2010 rebranded as Tata Steel Europe. TSE is indirectly wholly owned by TSL, a listed company in India. Further details of ownership are set out on pages 2 and 82 of TSE's Annual Report. Further details of group companies are also set out on page 82 of TSE' Annual Report.

The TSE Board has parental representation amongst the directors who communicate the views of the shareholder. TSE 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:

S Biswas
Director
7 June 2021

Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2021.

The Board

The directors of the Company who served throughout the period from 1 April 2020 to the date of this report (unless otherwise stated) were as follows:

T V Narendran (Chairman)
H Adam (Chief Executive Officer)
O P Bhatt (non-executive) (appointed 1 June 2020)
S Biswas
P M M Blauwhoff (non-executive)
K Chatterjee
J L M Fischer (non-executive)

There are established Board committees for audit, remuneration and pension matters, and regular meetings are held during the year. Health, safety and environment matters are reported to the Board and considered by the SHE committee established for the TSL Group. In April 2020 a TSE Board COVID-19 Committee was established to facilitate and support TSE management during the global coronavirus pandemic.

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 (2019/20: 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.

Company's financial position

The Directors note that the actions taken by the parent company during 2019/20 to convert loans from TSGH into equity has significantly strengthened the Company balance sheet such that as at 31 March 2021 there was a net asset position of £3,782m (2020: £3,794m).

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. The Company and its subsidiaries are financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the Company and the operations of the Company's material subsidiaries, including in the Netherlands and the UK, by way of a non-binding letter of parental support.

In previous years, the Company and the Group have benefitted from the financial support provided by Proco and TSE's parent company T S Global Holdings Pte Ltd ('TSGH'), including, in 2019/20, the conversion of a significant amount of debt to equity, further equity injections, continued access to working capital facilities, and the refinancing of the Group's Senior Facilities Agreement ('SFA') in February 2020.

Following the refinancing, the Group has no repayment obligations due under the SFA until February 2025. TSE has a short term bank loan which is due for repayment in June 2021, and the refinancing of this loan is not committed at the date of issuing these financial statements. Discussions with the bank are ongoing and the directors are confident that the debt will be successfully refinanced.

In March 2020, the Group first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Group responded to the financial consequences of the reduced steel demand caused by the pandemic by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In the second half of the 2020/21 financial year, demand for the Group's steel products rebounded strongly which, along with significant increases in steel selling prices towards the end of the year, enabled the Group to finish the 2020/21 financial year without requiring any further financial support from its parent.

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. Whilst the directors aim for TSE to be self-sufficient on a cash basis, base case forecasts prepared indicate TSUK will require access to group company support in order to manage its working capital position. As mentioned above, TSE has received a letter from Proco to provide working capital and/or other cash support up to a specified amount which exceeds the amount forecast as being required by TSUK, in both the base case and a severe but plausible downside scenario, over the next twelve months. Under all scenarios the directors believe that the Group has access to adequate liquidity given the support undertaking provided by Proco and the much improved outlook for the European steel market.

For these reasons, while the directors have a reasonable expectation that the Company and Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the reliance on continued support from TSL group companies for the short term funding requirements of TSUK which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

Corporate Governance Statement

For the year ended 31 March 2021, 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 second year that they have been applied.

Principle 1 – Purpose and Leadership

The TSE Board is responsible for carrying out oversight functions, setting and reviewing strategic priorities and monitoring performance. The Board delegates authority for day to day management of the TSE Group's affairs to the TSE Executive Committee.

The TSE Group of companies, formerly known as Corus, was acquired by TSL in 2007 in a transaction that created one of the world's largest steelmakers. Tata Steel was established in India in 1907. Sir Jamsetji Tata, founder of the Tata group, believed that "*in a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence*". As their purpose, Tata branded companies are committed to improving the quality of life of the communities they serve.

TSE's vision is striving to be the global steel industry benchmark for value creation and corporate citizenship. TSE's mission is 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. Steel is vital to modern society. To support TSE's mission, TSE is working with others to shape a more sustainable future by partnering with suppliers to source sustainable raw materials through responsible procurement so as to be a responsible steel supplier, with customers to create sustainable solutions and products that society needs, to be an innovator of carbon neutral steelmaking and demonstrate a commitment to the way sustainable steel is produced and delivered; empowers its people and engages and works with its communities, whilst creating value for the shareholder.

TSE has a guiding strategic framework, endorsed by the TSE Board in May 2017 which sets out five key strategic priorities for the Company which are Customer Focus; Value Chain Excellence; Responsible Steel; Innovation; and Leadership, People, and Culture, which it continues to drive forward.

TSE has five values which are shared by all Tata companies worldwide and inform expected behaviours and practices throughout the TSE 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.

TSE's purpose, values, vision, mission, strategy and key messages are communicated to the Group through internal communications, senior manager updates, senior leadership conferences, CEO videos and Town Hall briefings. During the coronavirus global pandemic in 2020 and 2021, TSE has continued to communicate with its workforce and engage with its key partners and stakeholders though digital means holding live streaming events to share information with senior managers and employees and receive questions and feedback. More detailed information relating to TSE's strategy and values can be accessed on the TSE website.

Principle 2 – Board Composition

The TSE Board comprises seven directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSE operates. TSE has a separate Chairperson and Chief Executive Officer. Three of the directors are non-executives and bring experience in audit and industry matters as well as independent challenge. Four of the directors are members of the board of the ultimate parent company, TSL, and one of those directors is also Chairperson of the Supervisory Board of TSN. Since January 2021, all four executive directors are also directors of TSE's main operating company in the UK, TSUK, including the TSUK Chairperson and three of the executive directors are directors of TSNH. A subsidiary of TSE, TSNH is the immediate parent of TSN and an indirect shareholder of TSUK. The size and structure of the Board is appropriate for the Company.

Day-to-day management of the TSE Group's affairs is carried out by the TSE Executive Committee, which throughout the financial year comprised the Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Chief Commercial Officer, Executive Director Human Resources and Director Legal & Company Secretary. Following restructuring in March and April 2021 to align with TSE's strategic objectives, since 1 May 2021, the Executive Committee comprises the Chief Executive Officer, Chief Financial Officer and Director Legal & Company Secretary. The Chief Executive Officer and Chief Financial Officer are also TSE Board directors.

To align the legal entity framework with the Executive Committee management of the TSE Group, two Executive Committee members are directors of TSUK together with two directors of the ultimate parent company, TSL. Two Executive Committee members are also directors of TSNH and Tata Steel UK Holdings Limited ("TSUKH").

A biography of each TSE Board director and Executive Committee member can be found on the TSE website.

The TSE Board has representation from different ethnic backgrounds. The TSE Board does not have any women directors although the Company Secretary is female. There is also female representation at Executive Committee level and at other senior management levels. The TSE Board and Executive Committee always bear in mind the need to take steps to further enhance the diversity of the TSE Group.

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.

Board effectiveness reviews are carried out periodically and the last evaluation took place in 2018. A further review is due to be undertaken.

Principle 3 – Directors responsibilities

The TSE 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, if any, are reported at each Board meeting.

To support the TSE Board in carrying out its duties, there are established Audit, Remuneration and Pensions Board committees, each with a terms of reference. Mr O P Bhatt, non-executive director, was appointed to the TSE Board and as Chair of the TSE Audit Committee in June 2020. During the year, he has provided guidance to Board members, provoked discussion in meetings and encouraged management reviews of internal processes and structures.

Safety, Health and Environment (SHE) matters are reviewed at TSL group level by a SHE Committee chaired by a non-executive director of TSL who is also a non-executive director of TSE. In addition, a TSE Health, Safety and Environment Forum and a TSE Process Safety Committee reports to the Executive Committee. The Chief Executive Officer reports to the TSE Board on health and safety performance at each of its scheduled meetings and on the actions being taken by the Company to improve performance.

In April 2020, the TSE Board established a TSE Board COVID-19 Committee to facilitate and support the management of TSE during the global coronavirus pandemic. The Committee met frequently during the year identifying various actions to support Company performance.

The TSE Board and Executive Committee receive regular and timely information on all key 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 TSE internal audit function provides additional assurance on specific key risks to ensure systems and controls are operating effectively.

In 2011, following the introduction of a new operating model, TSE deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. Each policy is sponsored by an Executive Committee member. A review of each of the policies took place in 2019/20 and is currently ongoing. The delegated authority framework was reviewed and revised in April and May 2021 to reflect changes in senior management roles and will be further reviewed to reflect the impact of separation.

Principle 4 – Opportunity and Risk

The Board considers for approval material and strategic projects, contracts and opportunities (as defined by value and duration). In 2019/20 TSE commenced a Transformation programme focusing on long term financial stability and sustainable value growth. The TSE Board monitors the progress and implementation of the Transformation Programme.

Following an announcement in November 2020, for the potential acquisition of TSN by Swedish steel company SSAB, a process was initiated to separate Tata Steel UK and Tata Steel Netherlands businesses and move to a single value chain and flattened organisation structure. Although the acquisition did not proceed, TSE has continued to pursue the separation of its businesses which the Board monitors.

In 2019/20 TSE commenced a Transformation programme focusing on long term financial stability and sustainable value growth. During 2020/21, the programme was re-baselined to reflect the impact of Covid-19. The separation process for Transformation also commenced. the TSE Board continues to monitor the progress and implementation of the Transformation Programme. Decarbonisation is a risk recognised by the TSE Board. The Board has approved activities necessary to allow TSN to apply for a Dutch subsidy in relation to carbon capture. In the UK, TSUK is a member of the South Wales Industrial Cluster partners engaged in decarbonisation related activities.

The principal risks and uncertainties affecting the TSE Group and mitigating actions taken in respect of them are set out in the Strategic Report. The Executive Committee participates in a risk management workshop annually to assess and identify the Company's principal and emerging risks from a top down perspective. TSE has a Risk Review Committee (RRC) and an Integrity & Compliance Committee (I&CC) both of which comprise Executive Committee members and cross-functional senior management and which meet on a quarterly basis. The RRC provides oversight of the Company's risk activities, identifies emerging risks, updates the risk register and reports to the Executive Committee and to Tata Steel Group Risk Review Committee. The RRC Chair is TSE Board member and also attends the Tata Steel Group Risk Review Committee meetings. Regular external assessments are undertaken to benchmark the risk maturity of the Company to continue in the alignment of risk reporting across the wider Tata Steel Group, although this was postponed in 2020/21 due to COVID-19. TSE is implementing a TSL IT system known as the BRISK system in Europe, with a plan to fully adopt the system in 2021. TSE continues to progress its ambition to become risk intelligent. The I&CC review compliance and asset protection matters, including whistleblowing, and report to the Executive Committee quarterly and to the TSE Audit Committee half-yearly and by exception.

Principle 5 – Remuneration

TSE has a Remuneration Policy comprising reward and recognition principles and which sets out the criteria describing key drivers for base and variable pay. TSE follows a reward philosophy that will 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.

The TSE Board Remuneration Committee, which comprises at least one non-executive director, has as a principal objective to determine the remuneration policy for Executive Committee members and TSE Board executive directors. The remuneration of non-executive directors is a matter for the TSE Chairman and for the parent company, TSL. The remit of the Remuneration Committee is set out in terms of reference. In determining remuneration packages, including any bonus or incentive arrangements, the Remuneration Committee is required to have regard to the principles of good corporate governance. Targets are set against TSE Group performance, safety objectives and personal behaviours and performance and are cascaded by the Executive Committee to senior managers in the TSE Group.

External benchmarking is undertaken periodically to ensure alignment with good practice and the market.

TSE's principal operating subsidiary in the UK, TSUK, has published its Gender Pay Gap Report for 2020, which is available on the TSE Website. Further information in relation to the Gender Pay Gap is available on page 11 of the Annual Report.

Principle 6 – Stakeholder Relationships and Engagement

The TSE Board recognises the importance of effective communication with its stakeholders in order to deliver its purpose, values, vision, mission and strategy and ensure protection of TSE's relationships, reputation and brand. TSE's stakeholders include its shareholders, customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which it operates.

The TSE Board and Executive Committee prioritise the health, safety and wellbeing of employees, contractors and other partners with health and safety prominent in leadership communications. The health & safety framework includes zero harm campaigns, safety tours, and the deployment of the 5 key health and safety commitments. Through the PeopleLink system, TSE offers 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 2020 and 2021, the TSE Executive Committee implemented COVID-19 measures across the TSE Group, which were aligned to local government guidelines. In addition, measures were in place to protect the Group's employees and key partners and a number of Covid-19 testing facilities for employees and contractors have been established across TSE's UK sites.

TSE deploy a number of strategies for employee engagement, including Town Hall briefings allowing employees to receive performance updates and ask questions directly to Executive Committee members. With many employees working from home during the COVID-19 pandemic, TSE engaged alternative 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.

TSE regularly conducts Employee Surveys, including pulse surveys the results of which are used to drive areas for improvement for employee engagement. In October and

November 2020, TSE carried out an Employee Engagement Survey and, in spite of challenging circumstances, just over half the workforce completed the survey. The results of the Survey were shared with the Executive Committee and made available to business areas and actions to address the results are being integrated into local plans.

TSE also engages with trade unions and works councils as appropriate. In 2020/21 TSE has engaged with employee representatives in relation to the proposed separation of its businesses, which is ongoing . It has also engaged with the UK trade unions to agree furlough arrangements under UK Government Coronavirus Job Retention Scheme due to the global pandemic.

The TSE Board includes directors of the parent company, TSL. TSE is required to report to the shareholder on a number of matters as required in the TSE Group Policy Framework and in order to support the Tata Steel Group's overall corporate governance requirements.

TSE Board directors, Executive Committee members and senior managers with the relevant areas of expertise liaise with Government bodies, including regulators, as appropriate. The Executive Director, Human Resources, participated in the UK Government's Steel Council meeting in March 2021, established as part of the UK Government's ongoing engagement with the steel industry. Further participation by TSE is expected in FY21/22.

TSE encourages its suppliers to work with the TSE Group to create value to our end customers, society and the TSE Group's shareholders. The TSE Group has a Responsible Procurement Policy which underpins TSE's commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to TSE 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 has been implemented in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

Customer focus is a key strategic priority, TSE's business model maximises direct engagement with customers which is aligned to market sectors and allows for continuous feedback. TSE reviews and evaluates performance through a Customer Satisfaction survey, The FY2020/21 survey was delayed due to the global pandemic and will now be deployed in May 2021. The outcomes of the survey will be integrated into TSE's strategic objectives.

As a leading steel producer, TSE 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. TSE is committed to reducing CO_2 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 April 2021, TSE and TSL were recognised for the fourth consecutive year as Steel Sustainability Champions by the Worldsteel Association for their work in 2020

TSE is committed to working in partnership with its 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 FY20/21, TSE moved a number of its community events online due to the global coronavirus pandemic. Whilst there have been fewer events than in previous years, TSE continues to promote Women in Steel 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 will resume when safe to do so. The "Women in Steel" podcast series interviewing TSE women senior leaders to provide insights and encouragement to wider employees, has continued throughout 2020/21. TSE has also worked with local partners to increase the biodiversity of its sites in the Netherlands and its surrounding nature reserves, and in the UK.

TSE has a Confidential Reporting Line which allows employees and others to report potential concerns while remaining anonymous.

A review of the TSE 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 TSE 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 TSE Board who then make recommendations for improvement. TSE is currently preparing for its next TBEM assessment which is expected to take place in 2022 with a vision and roadmap towards being recognised as an industry leader by 2025.

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

TSE'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 30 of the Annual Report.

Statement of engagement with employees

TSE's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 30 of the Annual 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 9);
- 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 30);
- Streamlined Energy & Carbon Reporting emissions information (see page 15);
- Research & development activities (see page 18); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 21)

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

S Biswas
Director
7 June 2021

C. Directors Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 parent 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, 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 parent company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent 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 parent 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.

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

S Biswas
Director
7 June 2021

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 2021 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 March 2021; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Parent Company statements of changes in equity and 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of preparation section included within the "Presentation of accounts and accounting policies" to the financial statements concerning the group's and the company's ability to continue as a going concern. The impact of the COVID-19 global pandemic will require Tata Steel Europe Limited to access group company support in order to meet its obligations as they fall due in the absence of securing alternative financing. Tata Steel Europe Limited has received a letter from TS Global Procurement Company Pte Ltd undertaking to provide working capital and/or other cash support up to a specified amounts which exceeds the amount forecast as being required by Tata Steel Europe Limited over the next twelve months. The letter states that it is non-binding to the future conduct of TS Global Procurement Company Pte Ltd or Tata Steel Limited. Accordingly, there can be no certainty that the funds required by Tata Steel Europe Limited will in fact be made available. These conditions, along with the other matters explained in the Basis of preparation section included within the "Presentation of accounts and accounting policies" to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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.

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 2021 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 breaches of health & safety and employment regulations, as well as climate-related regulations such as the Environmental Protection Act 1990 and the Pollution Prevention and Control Act 1999 in the United Kingdom, or the Industry Carbon Tax Act (Wet CO_2-heffing industrie) in the Netherlands. In addition, we considered the risks of non-compliance related to product quality and contractual compliance, 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 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 fraudulent transactions to overstate profits reported to Tata Steel Limited in order to maintain or increase value to shareholders of the Group. Audit procedures performed by the engagement team included:

- Discussions with management and legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board minutes and reports that set out the Group's compliance and monitoring of legal and internal control matters;
- Identifying and testing journal entries, in particular those having unusual account combinations involving revenues or other credits to the profit or loss account;

- Obtain third party confirmations of banking and financing arrangements held by significant components of the Group; and
- Inquiring with relevant personnel to understand management's processes for identifying and reporting risks and threats within the Group.

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.

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
7 June 2021

E1. Consolidated income statement

For the financial year ended 31 March

		2021			2020		
	Note	**Before exceptional items £m**	**Exceptional items (Note 2) £m**	**Total after exceptional items £m**	Before exceptional items £m	Exceptional items (Note 2) £m	Total after exceptional items £m
Revenue	1	**5,773**	**-**	**5,773**	6,202	-	6,202
Operating costs	2	**(6,260)**	**-**	**(6,260)**	(6,840)	782	(6,058)
Operating (loss)/profit		**(487)**	**-**	**(487)**	(638)	782	144
Finance costs	5	**(154)**	**-**	**(154)**	(360)	-	(360)
Finance income	5	**5**	**-**	**5**	138	1,118	1,256
Share of post-tax results of joint ventures and associates	10 (iv)	**7**	**-**	**7**	3	-	3
(Loss)/profit before taxation		**(629)**	**-**	**(629)**	(857)	1,900	1,043
Taxation	6	**(164)**	**-**	**(164)**	166	-	166
(Loss)/profit after taxation		**(793)**	**-**	**(793)**	(691)	1,900	1,209
Attributable to:							
Owners of the Company				**(793)**			1,210
Non-controlling interests				**-**			(1)

All references to 2021 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 36 refer to the financial period ended 31 March 2021 or as at 31 March 2021 as appropriate (2020: the financial period ended 31 March 2020 or as at 31 March 2020).

Notes and related statements forming part of these accounts appear on pages 51 to 87.

E2. Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2021 £m	2020 £m
(Loss)/profit after taxation		**(793)**	1,209
Items that will not be reclassified subsequently to the income statement:			
Actuarial (losses)/gains on defined benefit pension and other post-retirement plans	20	**(979)**	666
Income tax relating to items that will not be reclassified	6	**187**	(128)
Items that may be reclassified subsequently to the income statement:			
Gains/(losses) arising on cash flow hedges	23	**27**	(29)
Income tax relating to items that may be reclassified	6	**(7)**	7
Foreign exchange on currency net investments		**(48)**	4
Other comprehensive (loss)/income for the year net of tax		**(820)**	520
Total comprehensive (loss)/income for the year		**(1,613)**	1,729
Attributable to:			
Owners of the Company		**(1,613)**	1,730
Non-controlling interests		**-**	(1)

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 51 to 87.

E3. Consolidated and Parent Company balance sheets

As at 31 March	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Non-current assets					
Goodwill	7	**405**	405	**-**	-
Other intangible assets	8	**117**	105	**-**	-
Property, plant and equipment	9	**2,474**	2,516	**-**	-
Equity accounted investments	10	**34**	38	**-**	-
Investments in subsidiary undertakings	10	**-**	-	**3,966**	3,766
Other investments	11	**18**	39	**-**	-
Long term receivables	12	**4**	18	**-**	-
Retirement benefit assets	20	**1,988**	2,916	**-**	-
Deferred tax assets	13	**135**	121	-	-
Other tax assets		**-**	1	-	-
		5,175	6,159	**3,966**	3,766
Current assets					
Inventories	14	**1,369**	1,375	**-**	-
Trade and other receivables	15	**683**	771	**212**	199
Current tax assets	16	**6**	4	**-**	-
Cash and short-term deposits	17	**161**	138	**1**	1
		2,219	2,288	**213**	200
TOTAL ASSETS		**7,394**	8,447	**4,179**	3,966
Current liabilities					
Inter-group borrowings	18	**(144)**	(124)	**(144)**	(124)
External borrowings	18	**(251)**	(267)	**(200)**	-
Trade and other payables	19	**(2,434)**	(2,219)	**(53)**	(48)
Current tax liabilities	16	**(9)**	(12)	**-**	-
Retirement benefit obligations	20	**(1)**	(1)	**-**	-
Short-term provisions and other liabilities	21	**(357)**	(85)	**-**	-
		(3,196)	(2,708)	**(397)**	(172)
Non-current liabilities					
External borrowings	18	**(1,619)**	(1,574)	**-**	-
Retirement benefit obligations	20	**(114)**	(128)	**-**	-
Provisions and other liabilities	21	**(187)**	(202)	**-**	-
Other non-current liabilities	22	**(61)**	(5)	**-**	-
Deferred income	24	**(5)**	(7)	**-**	-
		(1,986)	(1,916)	**-**	-
TOTAL LIABILITIES		**(5,182)**	(4,624)	**(397)**	(172)
NET ASSETS		**2,212**	3,823	**3,782**	3,794
Equity					
Called up share capital	25	**8,822**	8,822	**8,822**	8,822
Accumulated deficit		**(6,854)**	(5,267)	**(5,040)**	(5,028)
Other components of equity		**243**	267	**-**	-
Equity attributable to owners of the Company		**2,211**	3,822	**3,782**	3,794
Non-controlling interests		**1**	1	**-**	-
TOTAL EQUITY		**2,212**	3,823	**3,782**	3,794

The Company recorded a loss of £(12)m (2020: profit of £755m) 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 37 to 41 were approved and authorised for issue by the Board and signed on its behalf by:

S Biswas
Director
7 June 2021
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 2019	**4,139**	**(6,999)**	**10**	**277**	**(2)**	**-**	**(2,575)**	**-**	**(2,575)**
Profit/(loss) for the financial year	-	1,210	-	-	-	-	**1,210**	(1)	**1,209**
Other comprehensive income/(loss) for the financial year	-	538	(22)	4	-	-	**520**	-	**520**
Total comprehensive income/(loss) for the financial year	-	1,748	(22)	4	-	-	**1,730**	(1)	**1,729**
Issue of ordinary shares	4,620	-	-	-	-	-	4,620	-	4,620
Conversion of preference shares	63	(14)	-	-	-	-	49	-	49
Dilution of non-controlling interests	-	(2)	-	-	-	-	(2)	2	-
Balance as at 31 March 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)**	-	**(819)**
Total comprehensive (loss)/income for the financial year	-	(1,585)	20	(48)	-	-	**(1,613)**	-	**(1,613)**
Reserve reclassification	-	(2)	-	-	2	-	**-**	-	**-**
Other reserve – restricted assets[1]	-	-	-	-	-	2	**2**	-	**2**
Balance as at 31 March 2021	**8,822**	**(6,854)**	**8**	**233**	**-**	**2**	**2,211**	**1**	**2,212**

1. During the year assets valued at £2m were transferred to Group under a 'Deed of Gift' from a related company. The use of these assets is restricted to benefit the local communities in which the Group operates. Accordingly the gain on acquiring these assets has been recorded within Other reserves.

Company:

	Share capital £m	Accumulated deficit £m	Total equity £m
Balance as at 31 March 2019	**4,139**	**(5,769)**	**(1,630)**
Profit for the financial year	-	755	**755**
Issue of ordinary shares	4,620	-	**4,620**
Conversion of preference shares	63	(14)	**49**
Balance as at 31 March 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**

Notes and related statements forming part of these accounts appear on pages 51 to 87.

E5. Consolidated statement of cash flows

For the financial year ended 31 March	Note	2021 £m	2020 £m
Operating activities			
Cash generated from/(used in) operations	29	**513**	(241)
Interest paid		**(109)**	(204)
Interest element of lease rental payments		**(15)**	(14)
UK corporation tax		**(2)**	(2)
Overseas taxation		**(5)**	3
Net cash flow generated from/(used in) operating activities		**382**	(458)
Investing activities			
Purchase of property, plant and equipment		**(316)**	(370)
Sale of property, plant and equipment		**15**	6
Purchase of other intangible assets		**(31)**	(14)
Sale of other intangible assets		**-**	1
Deferred proceeds on prior sale of subsidiary		**6**	13
Deferred proceeds on prior sale of joint venture	10	**3**	-
Sale of businesses and subsidiary undertakings	33	**1**	28
Dividends from joint ventures and associates	10	**7**	2
Dividends received from investments		**2**	1
Principal receipts under sublet leases		**14**	15
Interest received		**1**	4
Net cash acquired		**1**	-
Net cash flow used in investing activities		**(297)**	(314)
Financing activities			
New loans (including drawdowns of revolving credit facility)		**493**	1,062
Repayment of borrowings (including repayments of revolving credit facility)		**(475)**	(1,454)
Capital element of lease rental payments		**(71)**	(68)
Proceeds on issue of shares		**-**	1,242
Net cash flow (used in)/generated from financing activities		**(53)**	782
Increase in cash and cash equivalents	31	**32**	10
Cash and cash equivalents at beginning of period	31	**134**	124
Effect of foreign exchange rate changes	31	**(5)**	-
Cash and cash equivalents at end of period	**31**	**161**	134
Cash and cash equivalents consist of:			
Cash and short-term deposits	17	**161**	138
Bank overdrafts	18	**-**	(4)
		161	134

Notes and related statements forming part of these accounts appear on pages 51 to 87.

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 2021 comprise the Company and its subsidiaries and the Group's interest in its joint ventures and associated undertakings.

The functional and presentational currency of the Company and the presentational currency of the Group is sterling. The Group has prepared its Report & Accounts in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period ('IP') completion day (end of transition period), including where the Group also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

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

The financial statements apply the recognition, measurement and presentation requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, 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. The Company and its subsidiaries are financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the Company and the operations of the Company's material subsidiaries, including in the Netherlands and the UK, by way of a non-binding letter of parental support.

In previous years, the Company and the Group have benefitted from the financial support provided by Proco and TSE's parent company T S Global Holdings Pte Ltd ('TSGH'), including, in 2019/20, the conversion of a significant amount of debt to equity, further equity injections, continued access to working capital facilities, and the refinancing of the Group's Senior Facilities Agreement ('SFA') in February 2020. Following the refinancing, the Group has no repayment obligations due under the SFA until February 2025. TSE has a short term bank loan which is due for repayment in June 2021, and the refinancing of this loan is not committed at the date of issuing these financial statements. Discussions with the bank are ongoing and the directors are confident that the debt will be successfully refinanced.

In March 2020, the Group first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Group responded to the financial consequences of the reduced steel demand caused by the pandemic by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In the second half of the 2020/21 financial year, demand for the Group's steel products rebounded strongly which, along with significant increases in steel selling prices towards the end of the year, enabled the Group to finish the 2020/21 financial year without requiring any further financial support from its parent.

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. Whilst the directors aim for TSE to be self-sufficient on a cash basis, base case forecasts prepared indicate TSUK will require access to group company support in order to manage its working capital position. As mentioned above, TSE has received a letter from Proco to provide working capital and/or other cash support up to a specified amount which exceeds the amount forecast as being required by TSUK, in both the base case and a severe but plausible downside scenario, over the next twelve months. Under all scenarios the directors believe that the Group has access to adequate liquidity given the support undertaking provided by Proco and the much improved outlook for the European steel market.

For these reasons, while the directors have a reasonable expectation that the Company and Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the reliance on continued support from TSL group companies for the short term funding requirements of TSUK which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2020.

II New Standards and interpretations applied

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

		Effective Date*
IAS 1 & IAS 8 (Amendments)	New materiality definition	1 Jan 2020
IAS 1 (Amendments)	Updated references to Conceptual Framework	1 Jan 2020

IFRS 3 (Amendments)	Updated definition of a business	1 Jan 2020
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 Jun 2020**
IFRS 7, IFRS 9 & IAS 39 (Amendments)	Interest rate benchmark reform	1 Jan 2020

** periods commencing on or after*
***The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.*

The Group has early adopted the IFRS 16 Amendment for Covid-19-Related Rent Concessions from 1 June 2020. The Amendments to the above Standards, including the early adoption of the IFRS 16 Amendment, did not have a material impact on the TSE financial statements.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 in the year ended 31 March 2021, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 17	Insurance Contracts	1 Jan 2023
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform—Phase 2	1 Jan 2021
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) Presentation of exceptional items

Judgement has been exercised by the Group when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. In the current year it has also been judged that the impact of the COVID 19 pandemic does not qualify as exceptional due to the likely ongoing and evolving nature of the pandemic. Further information surrounding exceptional items can be found in note 2.

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

A significant part of the Group's capital is invested in property, plant and equipment and intangible assets (including goodwill). Determining whether these assets are impaired requires an estimation of value in use of the cash generating unit ('CGU') to which the asset relates. 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, 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. Value in use 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 value in use models, the forecast profitability of the Group in the third year of the Group's Annual Plan, and the expected impact of decarbonisation (including carbon taxes) 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 enterprise 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 20.

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	25
IT hardware and software	8
Office equipment and furniture	10
Motor vehicles	4
Other	15
Patents and trademarks	4
Product and process development costs	5

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, based upon the Group's long-term weighted average cost of capital ('WACC'), which also recognises the comparative WACCs of its European peers, with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.
Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, although impairments of goodwill are not subject to subsequent reversal.

(c) 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 2021 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.

(i) Sale of 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.

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

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

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

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

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

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

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

(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.

(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 and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts, forward rate agreements, interest rate swaps and London Metal Exchange (LME) contracts. The instruments are employed as economic hedges of transactions included in the accounts or forecast for firm contractual commitments. Contracts do not generally extend beyond 6 months, except for certain interest rate swaps and commodity contracts.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period end the derivative is re-measured at its current fair value. For forward currency contracts, interest rate swaps and commodity contracts the fair values are determined based on market forward rates at the end of the reporting period. The Group seeks to adopt hedge accounting for these currency, interest rate and commodity contracts. 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.

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 euros 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.

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 Chief Executive Officer in order to evaluate the financial performance of the Group.

	2021 £m	2020 £m
Revenue by destination:		
UK	**1,211**	1,405
The Netherlands	**556**	581
Europe excluding UK and The Netherlands	**3,088**	3,296
North America	**546**	568
Rest of the world	**372**	352
	5,773	6,202

2. Operating costs

	2021 £m	2020 £m
Costs by type:		
Raw materials and consumables	**2,797**	3,168
Maintenance costs (excluding own labour)	**545**	527
Other external charges (including fuels & utilities, hire charges and carriage costs)	**795**	883
Employment costs (Note 4)	**1,250**	1,316
Depreciation, amortisation and impairments (Notes 8 and 9)	**406**	547
Grants relating to property, plant and equipment released (Note 24)	**(1)**	(1)
Other operating items (including rents, rates, insurance and general expenses)	**494**	393
Exceptional item – waiver of loan principle (Note 18(v))	**-**	(774)
Changes in inventory of finished goods and work in progress	**8**	62
Own work capitalised	**(34)**	(41)
Profit on disposal of property, plant and equipment	**(16)**	(1)
Loss/(profit) on disposal of group undertakings (Note 32)	**16**	(21)
	6,260	6,058

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals (i) £m	**Total £m**
The above cost in 2021 include:			
Raw materials and consumables	2,797	-	**2,797**
Maintenance costs (excluding own labour)	545	-	**545**
Other external charges (including fuels & utilities, hire charges and carriage costs)	795	-	**795**
Employment costs (Note 4)	1,239	11	**1,250**
Depreciation, amortisation and impairments (Notes 8 and 9)	254	152	**406**
Grants relating to property, plant and equipment released (Note 24)	(1)	-	**(1)**
Other operating items (including rents, rates, insurance and general expenses)	499	(5)	**494**
Changes in inventory of finished goods and work in progress	8	-	**8**
Own work capitalised	(34)	-	**(34)**
Profit on disposal of property, plant and equipment	-	(16)	**(16)**
Loss on disposal of group undertakings (Note 32)	-	16	**16**
	6,102	158	6,260

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

	2021 **£m**	2020 £m
The above costs are stated after including:		
Amortisation of other intangible assets (Note 8)	**16**	16
Depreciation of owned assets (Note 9)	**183**	208
Depreciation of assets held under leases	**55**	47
Impairment losses relate to other intangible assets (Note 8)	**1**	-
Impairment losses related to property, plant and equipment (Note 9)	**93**	261
Impairment losses related to right of use assets (Note 9)	**-**	8
Impairment losses related to spares (Note 9)	**58**	7
Net exchange rate gains	**(6)**	(9)
Expenses relating to short-term leases	**-**	5
Expenses relating to low value leases	**1**	1
Expenses relating to variable lease payments not included in lease liabilities	**54**	33
Income from subleasing	**(5)**	(7)
Costs of research and development (gross)	**50**	53
Recoveries on research and development	**(3)**	(3)
Profit on release of grants (Note 24)	**(2)**	(1)
Income on emissions rights sales	**(135)**	-
Charge on provision for emissions rights deficit	**286**	47
Impairments against trade receivables (Note 15 (ii))	**3**	3

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

	2021 **£m**	2020 £m
Fees payable to the Group's auditors and their associates for the audit of the Group	**2.0**	1.8
Audit-related assurance services	**0.7**	0.5
Taxation services	**-**	-
Total non-audit fees	**0.7**	0.5
Total Group auditors' remuneration	**2.7**	2.3

Fees payable in respect of the audit of the Company were £10,000 (2020: £7,600). 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 £0.7m (2020: £0.5m) primarily relate to quarterly reviews undertaken by the Group's auditors.

3. Net restructuring and impairment costs

	2021 **£m**	2020 £m
Provision for restructuring and related measures:		
Redundancy and related costs	**12**	32
Pension restructuring costs (Note 20)	**-**	4
Impairment losses related to property, plant and equipment (Note 9)	**93**	261
Impairment of Right of Use assets (Note 9)	**-**	8
Impairment losses related to spares (Note 9)	**58**	7
Impairment losses related to intangible fixed assets (Note 8)	**1**	-
Other rationalisation costs	**1**	12
	165	324
Credits for restructuring and related measures:		
Other rationalisation costs	**(6)**	(3)
Redundancy and related costs	**(1)**	-
	(7)	(3)
Total net restructuring and impairment costs	**158**	321

The provision for redundancy and related costs of £12m (2020: £32m) related to restructuring measures across a number of units within the Group.

4. Employees

	2021 £m	2020 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**1,012**	**1,040**
Social security costs	**144**	**148**
Pension costs (Note 20)	**83**	**89**
Exceptional pension items (Note 20)	**-**	**3**
Redundancy and related costs (Note 2)	**11**	**36**
	1,250	**1,316**

(i) Exceptional pensions items includes a net pension charge of £nil (2020: £3m) in respect of changes associated with the RAA (see Note 20).

(ii) During the year as a result of the COVID 19 pandemic, TSE has received £61m in relation to employment support from Governments in the countries in which it operates. This has been credited from the total wages and salaries expense during the year.

(iii) The average number of employees during the year for continuing operations was 20,100 (2020: 21,000). This total includes operations staff of 16,700 (2020: 17,300), sales and marketing staff of 1,100 (2020: 1,200) and other staff of 2,300 (2020: 2,500).

(iv) Directors' remuneration

The total employment costs of the directors in the Group were:	2021 £m	2020 £m
Short term employee benefits	**1.8**	2.4
Other long term benefits	**-**	0.6

There are no retirement benefits accruing to any directors under defined benefit schemes (2020: 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.

(v) Highest paid director

Total amount of emoluments:	2021 £m	2020 £m
Short term employee benefits	**1.0**	0.9
Other long term benefits	**-**	0.2

There is no accrued lump sum falling due under a defined benefit pension scheme (2020: nil).

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

	2021 £m	2020 £m
Other defined benefit scheme credit (Note 20)	**(50)**	(36)
Other defined contribution scheme costs (Note 20)	**133**	129
Costs for setting up the new BSPS scheme borne directly by the company (Note 20)	**-**	3
	83	96

(vii) The Company has no employees. No director received any remuneration during the year in respect of their services to the Company (2020: nil).

5. Financing items

	2021 £m	2020 £m
Interest expense:		
Bank and other borrowings	**82**	90
Interest on leases	**15**	14
Interest on loans from immediate parent company (Note 33)	**2**	140
Interest on loans from other Group companies (Note 33)	**50**	66
Effective interest on redeemable non-cumulative preference shares issued to immediate parent company (Note 33)	**-**	2
Discount on disposal of trade receivables within purchase agreement with external companies	**5**	-
Discount on disposal of trade receivables within purchase agreement with Group company (Note 33)	**-**	48
Finance costs	**154**	360
Interest income:		
Cash and short-term deposits and short-term investments	**(2)**	(3)
Unwind of effective interest on deferred proceeds	**(2)**	(3)
Lease	**(1)**	(2)
Gain on debt modification	**-**	(130)
Exceptional gain on waiver of interest	**-**	(1,118)
Finance income	**(5)**	(1,256)
	149	(896)

A gain of £130m has been recognised in the prior year due to the modification of the Group's SFA facility.

An exceptional interest gain of £1,118m has been recognised in the prior year in relation to a waiver of interest from TSE's immediate parent company.

6. Taxation

	2021 £m	2020 £m
UK current year charge	**1**	1
Overseas current year charge	**5**	3
UK prior year credit	**-**	(1)
Overseas prior year credit	**(3)**	(2)
Current tax charge	**3**	1
UK deferred tax	**186**	(119)
Overseas deferred tax	**(25)**	(48)
Total tax charge/(credit)	**164**	(166)

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

	2021 £m	2020 £m
(Loss)/profit before taxation	**(629)**	1,043
(Loss)/profit multiplied by the applicable corporation tax rate of 21.56% (2020: 18.01%)	**(136)**	188
Effects of:		
Re-measurement of deferred tax balances arising from changes in tax rates	**(15)**	(3)
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	**(6)**	(1)
Previously unrecognised tax losses that are expect to be used in the future	**-**	(11)
De-recognition of previously recognised losses	**207**	8
Current year temporary differences (including losses) that are not expected to be used	**113**	26
Interest and principal waiver of intercompany loan	**-**	(359)
Other permanent differences	**4**	(10)
	164	(166)

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 £15m mainly represents the remeasurement of Dutch deferred tax assets following the enactment on 15 December 2020 of an increase in the Dutch corporate income tax rates, effective from 1 January 2021. The prior year credit of £3m represents a similar charge following an increase in the Dutch corporate income tax rates, enacted on 17 December 2019 and effective from 1 January 2020.

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

	2021 **£m**	2020 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	**187**	(128)
Revaluation of financial instruments treated as cash flow hedges	**(7)**	7
	180	(121)

7. Goodwill

As at 31 March	**2021** **£m**	2020 £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 both years against the recoverable amount of the Strip Products Mainland Europe CGU. This goodwill related to expected synergies from combining Corus' activities with those of TSL and assets which could not be recognised as separately identifiable intangible assets. Goodwill acquired through this and other acquisitions is tested annually for impairment or more frequently if there are any indications that goodwill may be impaired.

The recoverable amount of the Strip Products Mainland Europe CGU has been determined from a value in use calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to 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, the direct and indirect effect of carbon taxes, and a pre-tax discount rate of 8.1% (2020: 8.0%). 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 fully mitigate these costs through a variety of different means including the ability to pass these costs onto customers.

The Strip Products Mainland Europe 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 Strip Products MLE 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 fully mitigated through a variety of different means including the ability to pass these costs onto customers and therefore the value in use calculation does not include any change to the long term steady state cash flow of the Strip Products MLE CGU arising from the introduction of this tax.

In the long term, it is expected that in order to meet TSE's goal of being carbon-neutral by 2050 and to reduce CO2 emissions by 40% by 2030 (compared to those in 2018) at its IJmuiden steelworks, technological changes in the primary steel production process within the Strip Products MLE CGU will be required. For example this may include Carbon Capture Use and Storage and/or the production of steel using hydrogen rather than coal. The technological shift required to enable the transition to carbon neutral 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 access to sustainable finance which may include direct government support to the industry. Given the many uncertainties around decarbonisation, and that these long term investments are not committed, these long term investments have not been factored into the value in use projections.

A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets. The pre-tax discount rate of 8.1% (2020: 8.0%) 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 2021 for the Strip Products Mainland Europe CGU resulted in no impairment of goodwill (2020: £nil).

The Group has conducted sensitivity analysis on the impairment test of the carrying value of the Strip Products MLE 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 the value in use calculation would cause the carrying value of the goodwill to materially exceed its value in use. At 31 March 2021 the value in use exceeded the carrying value of the CGU by £1,527m. In a worst case scenario where the Netherlands specific carbon tax were to negatively impact on the long term steady state cash flow of the CGU without any mitigation of such costs, the headroom of the value in use above the carrying value of the CGU could reduce by up to £99m for every 10% of the costs from the tax which were not mitigated.

8. Other intangible assets

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 Group recognised an impairment charge of £1m in the current year (2020: £nil) against development costs.

Group:

2020	**Computer software £m**	**Development costs £m**	**Patents and Trademark £m**	**Total £m**
Cost as at 1 April 2019	314	29	1	**344**
Additions	15	-	-	**15**
Disposals	(1)	-	-	**(1)**
Exchange rate movements	4	1	-	**5**
Cost as at 31 March 2020	332	30	1	**363**
Amortisation as at 1 April 2019	212	27	1	**240**
Charge for the period	14	2	-	**16**
Impairment for the period	-	-	-	**-**
Exchange rate movements	1	1	-	**2**
Amortisation as at 31 March 2020	227	30	1	**258**
Net book value as at 31 March 2020	105	-	-	**105**

The remaining amortisation period for computer software is approximately 5 years (2020: 6 years).

9. Property, plant and equipment

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**

The additions to the right-of-use assets during the 2021 financial period were £130m (2020: £92m).

2020	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 31 March 2019	759	3,976	205	622	**5,562**
Adoption of IFRS 16	87	56	-	-	**143**
Cost or valuation as at 1 April 2019	846	4,032	205	622	**5,705**
Additions	78	23	55	304	**460**
Disposals	(4)	(26)	(25)	-	**(55)**
Disposal of group undertakings	(18)	(17)	-	(1)	**(36)**
Exchange rate movements	25	109	4	15	**153**
Transfers	(1)	202	2	(203)	**-**
Cost or valuation as at 31 March 2020	926	4,323	241	737	**6,227**
Depreciation as at 31 March 2019	311	2,815	133	40	**3,299**
Adoption of IFRS 16 - impairment	8	-	-	-	**8**
Depreciation as at 1 April 2019	319	2,815	133	40	**3,307**
Charge for the period	36	192	27	-	**255**
Impairment losses recognised during the period	6	253	3	7	**269**
Disposals	(2)	(22)	(23)	-	**(47)**
Disposal of group undertakings	(8)	(15)	-	-	**(23)**
Exchange rate movements	14	78	2	2	**96**
Transfers	-	7	-	(7)	**-**
Depreciation as at 31 March 2020	365	3,308	142	42	**3,857**
Net book value as at 31 March 2020	561	1,015	99	695	**2,370**
Spares (net book value)					**146**
Net book value as at 31 March 2020					**2,516**

Consistent with the annual test for impairment of goodwill as at 31 March 2021 (Note 7), property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. The outcome of this test indicated that using a pre-tax discount rate of 8.1% (2020: 8.0%) for all countries except for the UK where a pre-tax discount rate of 8.7% was used (2019: 8.8%) several of the Group's CGUs had a value in use which was lower than its carrying value. Accordingly, an impairment charge of £151m has been recognised against the Group's CGUs in the year (2020: £276m) of which £58m is in relation to spares (2020: £7m). This mainly relates to the Strip Products UK CGU where property, plant and equipment has been impaired by £113m (2020: £229m). Impairments have also been recognised against various other CGU's and specific assets of £38m (2020: £47m).

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 remaining property, plant and equipment at the Strip Products UK CGU which had a carrying value at 31 March 2021 of £339m after posting an impairment charge of £113m in 2021. An increase in the discount rate used for impairment testing of 1% would result in an increase of £76m in the impairment charge recognised in 2021 in the Strip Products UK CGU. A 10% decrease to the forecast operating profit used in the terminal value within the value in use calculation would result in an increase of £66m in the impairment charge recognised in 2021 in the Strip Products UK CGU.

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	**2021** **£m**	2020 £m
The net book value of land and buildings comprises:		
Freehold	**375**	384
Long leasehold (over 50 years unexpired)	**9**	8
Short leasehold	**150**	169
	534	561
Right of use assets not subject to operating leases		
Cost	**245**	248
Accumulated depreciation	**(86)**	(71)
	159	177
Owned assets	**375**	384
	534	561

(ii)

As at 31 March	**2021** **£m**	2020 £m
The net book value of plant and machinery comprises:		
Right of use assets subject to operating leases:		
Cost	**16**	16
Accumulated depreciation and impairment losses	**(15)**	(8)
	1	8
Right of use assets not subject to operating leases:		
Cost	**270**	205
Accumulated depreciation and impairment losses	**(122)**	(153)
	148	52
Owned assets	**879**	955
	1,027	1,015

(iii)

As at 31 March	**2021** **£m**	2020 £m
The net book value of spares comprises:		
Cost	**506**	506
Accumulated depreciation and impairment losses	**(414)**	(360)
	92	146

(iv) There was £nil (2020: £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	2021 Total £m	2020 Total £m
Cost				
At beginning and end of period	9	10	**19**	19
Post acquisition reserves				
Share at beginning of period	13	6	**19**	17
Share of retained results in the period	(4)	1	**(3)**	1
Exchange rate movements	-	(1)	**(1)**	1
Share at end of period	9	6	**15**	19
Net book value at end of period	18	16	**34**	38
Net book value at beginning of period	22	16	**38**	36

(i) The Group's equity accounted investments are listed in Note 36.

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

As at 31 March	2021 £m	2020 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	**23**	25
Current assets	**16**	22
Current liabilities	**(14)**	(15)
Non-current liabilities	**(7)**	(10)
Group's share of net assets	**18**	22

Share of the revenue and expenses of the Group's joint ventures:		
Revenue	**44**	56
Expenses	**(43)**	(55)
Group's share of joint ventures' profit for the period after taxation	**1**	1
Dividends received	**(5)**	-
Group's share of retained results in the period	**(4)**	1

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

As at 31 March	2021 £m	2020 £m
Summarised balance sheet information:		
Total assets	**85**	81
Total liabilities	**(33)**	(30)
Net assets	**52**	51
Group's share of net assets	**16**	16

Summarised income statement information:		
Revenue	**232**	274
Profit for the period	**9**	6

Group's share of associate's profit for the period after taxation	**3**	2
Dividends received	**(2)**	(2)
Group's share of retained results in the period	**1**	-

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

	2021 £m	2020 £m
Group's share of joint ventures' profit for the period	**1**	1
Group's share of associates' profit for the period	**3**	2
Sale adjustment (v)	**3**	-
Share of post-tax results of joint ventures and associates	**7**	3

(v) During the year, deferred consideration of £3m, which was previously impaired, was received in respect of the sale of Danielli Corus Technical Services BV.

Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2020	9,974	-	**9,974**
Additions	-	200	**200**
Cost at 31 March 2021	9,974	200	**10,174**
Impairment as at 1 April 2020 and 31 March 2021	6,208	-	**6,208**
Net book value at 31 March 2021	**3,766**	**200**	**3,966**
Net book value at 31 March 2020	3,766	-	3,766

The Company's subsidiaries and investments are listed in Note 36 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 8.1% (2020: 8.0%), except for UK entities where a pre-tax discount rate of 8.7% (2020: 8.8%) 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 2021 resulted in £nil impairment (2020: £293m) 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. An increase in the discount rate used for impairment testing of 1% would result in an impairment charge of £146m in the Company's equity investment in Tulip UK Holdings No.2 Limited.

11. Other investments

	Loans and receivables £m	Sublease investments £m	Investments £m	2021 Total £m	2020 Total £m
Carrying value as at 1 April	7	18	14	**39**	**55**
Additions	2	1	1	**4**	**2**
Exchange rate differences	-	(1)	-	**(1)**	**1**
Disposals	(1)	(15)	(1)	**(17)**	**(19)**
Impairments	-	-	(7)	**(7)**	**-**
Carrying value as at 31 March	8	3	7	**18**	**39**

During the year impairment of £7m has been recognised in relation to preference shares previously received as consideration for prior business divestments as the expected return on these investments is now considered uncertain (note 32).

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:

	2021			2020		
	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	**5**	**5**	**10**	13	4	17
USD	**2**	**-**	**2**	16	-	16
Euros	**6**	**-**	**6**	6	-	6
	13	**5**	**18**	35	4	39
Disclosed as:						
Sublease Investments	**3**	**-**	**3**	18	-	18
Loans and receivables	**8**	**-**	**8**	7	-	7
Investments	**2**	**5**	**7**	10	4	14

	2021		2020	
	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	**7.3**	**3.0**	8.1	2.7

(ii) Maturities of sublease investments are as follows:

	Finance Leases		Operating Lease	
As at 31 March	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Within one year	**2**	15	**1**	4
Between one and two years	**1**	3	**-**	-
Between two and three years	**-**	1	**-**	-
Less: future finance charges on leases	**-**	(1)	**-**	-
	3	18	**1**	4

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

As at 31 March	**2021 £m**	2020 £m
Within one year	**1**	-
Between one and two years	**4**	-
Between two and five years	**2**	4
Greater than five years	**2**	5
No contractual maturity date	**6**	12
	15	21

12. Long term receivables

	2021 £m	2020 £m
Deferred proceeds on sale of business	**4**	18
	4	18

An impairment of £8m has been recognised in the year in relation to deferred proceeds owed to the Group in relation to a previous business divestment of which the recovery is now deemed uncertain (note 32).

13. Deferred tax assets

	2021 £m	2020 £m
Deferred tax assets	**135**	121
	135	121

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.

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**

2020	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2019	67	263	(329)	2	7	66	(4)	**72**
Credited/(charged) to income statement	76	93	(68)	1	28	39	(2)	**167**
Exchange rate movements	(1)	3	-	-	1	-	-	**3**
Credited/(charged) to other comprehensive income	-	-	(128)	-	-	-	7	**(121)**
At 31 March 2020	**142**	**359**	**(525)**	**3**	**36**	**105**	**1**	**121**

Deferred tax assets of £135m (2020: £121m) have been recognised at 31 March 2021. 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, which predominantly relate to the Netherlands. Deferred tax assets have not been recognised in respect of total tax losses of £4,241m (2020: £3,913m). These losses comprise UK losses of £3,361m (2020: £2,922m) and non-UK losses of £880m (2020: £990m). Included in unrecognised tax losses are losses of £nil (2020: £25m) that will expire within one year, £310m (2020: £407m) that will expire between one and five years, and losses of £150m (2020: £200m) that will expire between five and ten years. Other losses may be carried forward indefinitely.

During the year 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 were unlikely to be utilised in the near future due to their intended disposal as part of corporate simplification exercise.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £76m (2020: £332m), of which £nil (2020: £247m) will expire within the next 5 years and the remainder do not carry an expiry date.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £244m (2020: £261m). 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 2019 changes were made in the Netherlands to alter the reduction in corporation tax rates, delaying and amending a reduction from 25%. These revised rates were used in the calculation of the Dutch deferred tax assets and liabilities as at 31 March 2020. Following the cancellation of the reduction in corporation tax rates in 2020, the deferred tax assets and liabilities at 31 March 2021 were revalued at 25%.

Company:

Movement on deferred tax assets:	2021 £m	2020 £m
At beginning of period	**-**	8
Credited to the income statement	**-**	(8)
	-	-

Deferred tax assets of £nil (2020: £nil), in respect of tax losses, have been recognised at 31 March 2021. 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.

14. Inventories

As at 31 March	**2021 £m**	2020 £m
Raw materials and consumables	**478**	452
Work in progress	**433**	432
Finished goods and goods for resale	**458**	491
	1,369	1,375

The value of inventories above is stated after impairment of £49m (2020: £65m) for obsolescence and write-downs to net realisable value.

15. Trade and other receivables

Group:

As at 31 March	**2021 £m**	2020 £m
Trade receivables	**480**	548
Less provision for impairment of receivables	**(6)**	(5)
	474	543
Amounts owed by ultimate parent company (Note 33)	**4**	5
Amounts owed by other Group companies (Note 33)	**14**	3
Amounts owed by joint ventures (Note 33)	**7**	3
Amounts owed by associates (Note 33)	**12**	9
Derivative financial instruments (Note 23)	**35**	71
Other taxation	**13**	24
External interest receivable	**2**	2
Prepayments	**38**	20
Deferred proceeds on sale of business	**16**	12
Other receivables	**68**	79
	683	771

(i) Trade receivables are further analysed as follows:

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**

As at 31 March 2020	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	471	(434)	-	37
One month overdue	41	(38)	-	3
Two months overdue	4	(4)	-	-
Three months overdue	5	(3)	-	2
Greater than three months overdue	27	(12)	(5)	10
	548	(491)	(5)	52

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2021 to be £38m (2020: £52m), 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 23.

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

As at 31 March	2021 £m	2020 £m
At beginning of period	5	6
Impairments in the period (Note 2)	3	3
Amounts utilised, exchange rate and other movements	(2)	(4)
At end of period	6	5

Company:

As at 31 March	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	209	196
Interest owed by subsidiary undertakings	2	1
Other taxation	1	2
	212	199

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
2021		
UK corporation tax	1	7
Overseas taxation	5	2
	6	9
2020		
UK corporation tax	-	7
Overseas taxation	4	5
	4	12

17. Cash and short-term deposits

As at 31 March	2021 £m	2020 £m
Cash at bank and in hand	153	126
Short-term deposits	8	12
Cash and short-term deposits	161	138

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

As at 31 March	2021			2020		
	Cash £m	Short-term deposits £m	Total £m	Cash £m	Short-term deposits £m	Total £m
Sterling	72	8	80	31	12	43
Euros	27	-	27	51	-	51
US Dollars	32	-	32	27	-	27
Other	22	-	22	17	-	17
	153	8	161	126	12	138

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 0.1% (2020: 0.5%) 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. Borrowings

Group:

As at 31 March	2021 £m	2020 £m
Current:		
Inter-group:		
Amounts owed to immediate parent company (Note 33)	**36**	34
Amounts owed to other Group companies (Note 33)	**108**	90
	144	124
External:		
Bank loans	**201**	200
Bank overdrafts	**-**	4
Floating rate guaranteed Loan Notes	**1**	1
Obligations under leases	**49**	62
	251	267
	395	391
Non-current:		
External:		
Bank loans	**1,393**	**1,427**
Obligations under leases	**266**	**197**
Capitalisation of transaction costs	**(40)**	**(50)**
	1,619	**1,574**
	1,619	**1,574**
Total borrowings	**2,014**	**1,965**

Interest payable on the above borrowings is included within trade and other payables (Note 19).

(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	2021			2020		
	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	**222**	**343**	**565**	254	200	454
Euros	**86**	**1,388**	**1,474**	98	1,427	1,525
US Dollars	**5**	**-**	**5**	26	-	26
Other	**8**	**2**	**10**	8	2	10
Capitalisation of transaction costs	**-**	**(40)**	**(40)**	-	(50)	(50)
	321	**1,693**	**2,014**	386	1,579	1,965

	2021		2020	
	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	**5.1**	**6.9**	5.2	4.0
Euros	**4.6**	**6.9**	4.8	7.6

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 4.07% (2020: 4.42%) and on non-current borrowings was 2.99% (2020: 2.89%).

(ii) The maturity of borrowings is as follows:

As at 31 March	**2021** £m	2020 £m
In one year or less or on demand	**406**	399
Between one and two years	**58**	52
Between two and three years	**49**	33
Between three and four years	**401**	26
Between four and five years	**1,186**	392
More than five years	**122**	1,288
	2,222	2,190
Less: future finance charges on leases	**(65)**	(47)
Less: capitalisation of transaction costs	**(40)**	(50)
Less: future release of debt modification credit	**(103)**	(128)
	2,014	1,965
Analysed as:		
Current liabilities	**395**	391
Non-current liabilities	**1,619**	1,574

Amounts payable under leases are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2021 £m	2020 £m	**2021** £m	2020 £m
Not later than one year	**61**	69	**49**	62
Later than one year but not more than five years	**197**	137	**168**	108
More than five years	**122**	100	**98**	89
	380	306	**315**	259
Less: future finance charges on leases	**(65)**	(47)	**-**	-
Present value of lease obligations	**315**	259	**315**	259

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	**2021** £m	2020 £m
Between one and two years	**128**	-
Between two and three years	**-**	133

The Group's senior facility limits the amount of other uncommitted, unsecured credit facilities to €725m (2020:€725m) with a sub-limit of €355m (2020: €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 Mach 2021 this 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 TSUK and the shares of TSNH. The SFA contains a financial covenant which sets an annual maximum capital expenditure level at the TSNH level and contains cash flow to debt service and debt tangible net worth covenants which are calculated at the TSL level. The group remains in full compliance with all covenants. The SFA comprises the following term loans denominated in euros:

- Facility A - a bullet term loan facility of €410m for five years (matures February 2025);
- Facility B - a bullet term loan facility of €1,340m for six years (matures February 2026);

Company:

As at 31 March	**2021** **£m**	2020 £m
Current:		
External [(i)]	**200**	-
Inter-group:		
Amounts owed to immediate parent company	**36**	34
Amounts owed to other Group companies	**108**	90
	344	124

(i) During the year the Company has entered into a one year loan facility for £200m with a commercial bank. The loan is due to mature in June 2021 and interest is charged on a floating basis with reference to LIBOR.

19. Trade and other payables

Group:

As at 31 March	**2021** **£m**	2020 £m
Trade payables	**796**	753
Amounts owed to other Group companies (Note 33)	**946**	879
Amounts owed to joint operations (Note 33)	**1**	-
Amounts owed to associates (Note 33)	**3**	3
Other taxation and social security	**119**	55
Interest payable to parent Company (Note 33)	**1**	1
Interest payable to other Group companies (Note 33)	**1**	1
Interest payable	**5**	6
Capital expenditure creditors	**132**	155
Derivative financial instruments (Note 24)	**37**	44
Advances from customers	**2**	6
Other payables	**391**	316
	2,434	2,219

Other taxation and social security has increased as a result of tax deferrals granted by governments in the current year in response to the COVID-19 pandemic.

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

Company:

As at 31 March	**2021** **£m**	2020 £m
Trade creditors	**19**	27
Interest payable to other Group companies	**2**	2
Amounts owed to subsidiary undertakings	**32**	19
	53	48

20. 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 2021 amounted to £132m (2020: £131m). Of the total cost of £132m, £84m (2020: £79m) 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 2021 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 71,500 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 are currently exploring options to further manage the Scheme's risks with one or more insurers. This might include establishing a framework for partial buy-in transactions and/or longevity swaps over a period of time.

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 2021 (2020: £nil) for its interest in TSUK.

The Framework Agreement entered into as part of the RAA includes 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). Whilst the outcome of the 2021 AV Increase will not be finalised until after the 2021 actuarial valuation is complete, the Scheme Actuary has estimated (based on provisional information available in April 2021) that the conditions for an increase are likely to be met. In anticipation that this will be the case, an allowance has been included in the IAS 19 31 March 2021 liability calculation based on market conditions at that date. The allowance has been recognised through other comprehensive income and any difference to the actual restoration payment will be recognised once the 2021 AV is complete, which is expected to be in 2022.

At 31 March 2021 the new scheme had an IAS 19 surplus of £1,988m (2020: £2,916m). In accordance with IFRIC 14, the company has recognised 100% (2020: 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. 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. As the chance of achieving the required pricing level is currently not probable, no adjustments in respect of restoration has been made to the IAS 19 valuation of the BSPS at 31 March 2021 with the assumption of pension payouts being retained at 100%. The 31 March 2018 valuation was agreed between TSUK and the BSPS Trustee on 11 April 2019. This was a surplus of £668m on a TP (more prudent) basis equating to a funding ratio of 106.3%. The agreed Schedule of Contributions confirmed that neither ordinary nor deficit recovery contributions are due from the Company.

The weighted average duration of the scheme's liabilities at 31 March 2021 was 15 years (2020: 15 years). On 26 October 2018 the High Court ruled that UK pension schemes would be required to equalise guaranteed minimum pensions ('GMP'). The ruling also provided guidance on how this equalisation should be undertaken. Following this ruling, TSE recognised in the 2018/19 financial year an increase of £50m to the BSPS liabilities in respect of the estimated impact of this equalisation with the related

charge recognised in other comprehensive income. This reserve has been retained at the same value in the 31 March 2021 IAS 19 position.
In the current year the income statement includes a charge of £nil in relation to costs associated with the RAA (2020: £3m).

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:

2021	BSPS %	Other %
Salary growth[1]	n/a	1.00 to 2.00
Pension increases[2]	2.70	0.00 to 1.75
Discount rate	2.05	0.40 to 3.00
Inflation	3.20	1.00 to 3.00

1 The BSPS is closed to future accrual.
2 Where applicable a CPI assumption of 2.70% has been applied within the BSPS.

2020	BSPS %	Other %
Salary growth [3]	n/a	1.00 to 2.00
Pension increases[4]	1.72	0.00 to 1.75
Discount rate	2.45	0.30 to 3.20
Inflation	2.55	1.00 to 3.00

3 The BSPS is closed to future accrual.
4 Where applicable a CPI assumption of 1.80% 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 2021 use the Self-Administered Pension Schemes 2 (SAPS 2) base tables, S2NMA/S2DFA with the 2015 CMI projections with a 1.50% pa long-term trend applied from 2007 to 2016 (adjusted by a multiplier of 1.15 for males and 1.21 for females). In addition, future mortality improvements are allowed for in line with the 2020 CMI Projections with a long-term improvement trend of 1.00% 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 of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 87 years of age.

Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below 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 1.4%
Inflation	Increase/decrease by 10bps	Increase/decrease by 0.7%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 2.8%

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

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

Income statement costs

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

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

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

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

Income statement pension costs arose as follows:

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**

2020	**BSPS £m**	**SPH £m**	**UK £m**	**Other £m**	**Total £m**
Current service cost	10	-	-	3	**13**
Pension restructuring costs	4	-	-	-	**4**
Past service credit	-	-	-	(4)	**(4)**
Net interest (income)/cost	(51)	-	-	2	**(49)**
Defined benefit schemes	(37)	-	-	1	**(36)**
Defined contribution schemes	-	79	45	5	**129**
Total charge for the period	(37)	79	45	6	**93**

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

	2021 £m	2020 £m
Pension costs (Note 4)	**83**	89
Exceptional pension items (Note 4)	**-**	4
Exceptional costs for setting up the new BSPS scheme borne directly by the Company (Note 4)	**-**	3
Total charge for the period	**83**	96

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:

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**

2020	BSPS %	Other %
Quoted:		
Equities – UK Entities	0.4	0.00
Equities – Non-UK Entities	3.5	53.2
Bonds – Fixed Rate	68.8	17.9
Bonds – Index Linked	29.5	0.0
Other	0.3	4.0
	102.5	**75.1**
Unquoted:		
Real estate	11.2	8.7
Derivatives	(16.2)	0.0
Cash and cash equivalents	1.8	11.7
Other	0.7	4.5
	(2.5)	**24.9**
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:

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)**

2020	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,628	91	**10,719**
Present value of obligation	(7,712)	(220)	**(7,932)**
Defined benefit asset/(liability) at end of period	2,916	(129)	**2,787**
Disclosed as:			
Defined benefit asset	2,916	-	**2,916**
Defined benefit liability – current	-	(1)	**(1)**
Defined benefit liability – non-current	-	(128)	**(128)**
Arising from:			
Funded schemes	2,916	(44)	**2,872**
Unfunded schemes	-	(85)	**(85)**

The movements in the present value of plan assets and defined benefit obligations in 2021 and 2020 were as follows:

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**
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**

Included within other schemes above are post-retirement medical and similar net obligations of £5m (2020: £5m).

2020	BSPS £m	Other £m	Total £m
Plan assets:			
As at 1 April 2019	10,598	95	**10,693**
Interest income on plan assets	238	3	**241**
Return on plan assets greater/(less than) than the discount rate	307	(1)	**306**
Settlement	-	(12)	**(12)**
Contributions from the employer	-	7	**7**
Exchange rate movements	-	7	**7**
Benefits paid	(515)	(8)	**(523)**
As at 31 March 2020	10,628	91	**10,719**
	BSPS £m	**Other £m**	**Total £m**
Defined benefit obligations:			
As at 1 April 2019	8,393	220	**8,613**
Current service cost	14	3	**17**
Past service cost/(credit)	-	(4)	**(4)**
Settlement	-	(12)	**(12)**
Interest cost on the defined benefit obligation	187	5	**192**
Actuarial (gain)/loss due to financial assumption changes	(405)	7	**(398)**
Actuarial loss due to demographic assumption changes	38	-	**38**
Exchange rate movements	-	11	**11**
Benefits paid	(515)	(10)	**(525)**
As at 31 March 2020	7,712	220	**7,932**

Actuarial losses recorded in the statement of comprehensive income for the period were £979m (2020: gains of £666m).

21. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Environmental provision (ii) £m	Insurance (iii) £m	Employee benefits (iv) £m	Other (v) £m	**Total 2021 £m**	Total 2020 £m
As at 31 March	37	73	61	60	57	**287**	261
Adoption of IFRS16	-	-	-	-	-	**-**	(8)
As at 1 April	37	73	61	60	57	**287**	253
Charged to income statement	13	321	1	4	11	**350**	107
Released to income statement	(7)	(1)	(1)	(1)	(3)	**(15)**	(34)
Utilised in period	(27)	(29)	(4)	-	(9)	**(66)**	(44)
Exchange rate movements	-	(8)	-	(2)	(2)	**(12)**	5
At end of period	16	356	57	61	54	**544**	287
Analysed as:							
Current liabilities						**357**	**85**
Non-current liabilities						**187**	**202**

(i) Rationalisation costs include redundancy provisions as follows:

	2021 £m	2020 £m
At beginning of period	**18**	3
Charged to income statement	**12**	32
Released to income statement	**(1)**	-
Utilised during the period	**(26)**	(17)
At end of period	**3**	18

	2021 £m	2020 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	**3**	6
Environmental and other remediation costs at sites subject to restructuring/closure	**9**	13
Other	**1**	-
	13	19

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 2021 the rationalisation provision included £3m (2020: £5m) in respect of onerous leases on a discounted basis. This provision would have amounted to £3m (2020: £5m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 12 years.

In 2020, on adoption of IFRS 16 £8m of onerous leases were transferred to impairment of property, plant and machinery (see note 10).

(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 £28m (2020: £24m), product warranty claims of £7m (2020: £6m) and potential customer claims of £2m (2020: £4m). The timing in respect of utilising these provisions is uncertain.

22. Other non-current liabilities

As at 31 March	2021 £m	2020 £m
Other taxation and social security	**57**	-
Other creditors	**4**	5
	61	5

As at 31 March	2021 £m	2020 £m
An analysis of other creditors by currency is set out below:		
Sterling	**3**	4
2Euros	**58**	1
	61	5

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.

23. 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 42. The Group's overall risk strategy remains unchanged from 2020. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 18, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Net debt has increased in the year to £1,853m at 31 March 2021 from £1,827m at 31 March 2020 (note 30) mainly due to an increase of £56m to lease obligations.

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

As at 31 March	2021 £m	2020 £m
Financial assets:		
Loans and receivables:		
Other investments (Note 11)	**8**	**7**
Long term receivables (Note 12)	**4**	**18**
Trade receivables (Note 15)	**474**	**543**
Other receivables [1] (Note 15)	**123**	**113**
Cash and short-term deposits (Note 17)	**161**	**138**
	770	**819**
Financial liabilities:		
Financial liabilities held at amortised cost:		
Trade and other payables [2] (Note 19)	**(2,276)**	(2,114)
Current borrowings (Note 18)	**(395)**	(391)
Non-current borrowings (Note 18)	**(1,619)**	(1,574)
Other non-current liabilities (Note 22)	**(61)**	(5)
	(4,351)	(4,084)
	(3,581)	(3,265)

[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 £387m (2020: £386m) and £1,559m (2020: £1,519m) 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	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 19)	**-**	**(37)**	**-**	**(37)**
	-	**(37)**	**-**	**(37)**

As at 31 March	2020			
	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)	-	71	-	71
Investments (Note 11)	-	-	14	14
	-	71	14	85
Financial liabilities at fair value through other comprehensive income:				
Derivative financial liabilities (Note 19)	-	(44)	-	(44)
	-	(44)	-	(44)

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 centralised Group treasury functions whose activities are governed by policies and procedures approved by the TSE Executive committee. The TSE Treasury committee meet at least quarterly to review activities and to monitor treasury performance against policies.

(a) Market risk: foreign exchange risk and management

At 31 March 2021, the Group had £2,014m (2020: £1,965m) in borrowings, of which £1,434m (2020: £1,475m) net of capitalised transaction costs of £40m (2020: £50m) is denominated in euros, £565m (2020: £454m) is denominated in sterling, £5m (2020: £26m) is denominated in US dollars, and £10m (2020: £10m) is denominated in other currencies. As described in Note 18, the majority of the Group's 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 (for full details see Borrowings note 18).

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 2021, the Group held forward currency sales of principally Euros and US Dollars amounting to £678m (2020: £645m) and purchases of principally Euros and US dollars amounting to £1,770m (2020: £1,589m).

A 10% appreciation of sterling at 31 March 2021 would increase the Group's net assets by approximately £125m (2020: £127m), increase equity by approximately £125m (2020: £127m) and decrease operating profit by approximately £nil (2020: £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 and of carbon emission rights based on predicted future emissions deficit.

At 31 March 2021, a 10% appreciation of market prices would decrease the Group's equity by approximately £9m (2020: £12m). 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 2021, a 100 basis points increase in interest rates over the 12-month period would increase the Group's net finance expense by approximately £13m (2020: £16m) and decrease equity by approximately £13m (2020: £12m).

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

Individual operating units are responsible for controlling their own credit risk arising from the Group's normal commercial operations, although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposure to key customers and those where known risks have arisen or 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 centrally by the Group's treasury operations. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 18(iii), the total undrawn committed borrowing facilities at 31 March 2021 is £128m (2020: £133m).

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

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Group's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the end of the reporting period. Cash flows in foreign currencies are translated using the period end spot rates at 31 March 2021.

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[1]	**(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

As at 31 March	2020			
	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]	(2,114)	(2,114)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Lease obligations	(307)	(70)	(137)	(100)
Bank and other loans	(2,112)	(367)	(526)	(1,219)
Other creditors	(5)	(5)	-	-
Bank overdraft	(4)	(4)	-	-
	(4,543)	(2,561)	(663)	(1,319)
Derivative financial liabilities:				
Foreign currency contracts:				
Payables	(2,181)	(2,181)	-	-
Receivables	2,230	2,230	-	-
Commodity contracts	(22)	(22)	-	-
Forward rate agreement				
Payables	(731)	(731)	-	-
Receivables	731	731	-	-
	27	27	-	-
Total financial liabilities	(4,516)	(2,534)	(663)	(1,319)

[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:

	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Current:				
Foreign currency contracts	**23**	**(37)**	59	(10)
Commodity contracts	**12**	**-**	1	(23)
Forward rate agreements	**-**	**-**	11	(11)
	35	**(37)**	71	(44)
	35	**(37)**	71	(44)

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**	**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**

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2020 £m
Cash flow hedge reserve net of taxation at beginning of period	**5**	**9**	**(4)**	**10**
Fair value recognised	**(5)**	**(24)**	**7**	**(22)**
Cash flow hedge reserve net of taxation at end of period	**-**	**(15)**	**3**	**(12)**

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:

	2021 £m	2020 £m
Foreign currency contracts	**2,449**	2,235
Commodity futures and options	**151**	175
Forward rate agreements	**-**	777

There was no significant ineffectiveness on cash flow hedges recognised in the income statement in 2021 (2020: £nil).

24. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2021 £m	2020 £m
At 1 April	2	5	**7**	7
Released to income statement	(1)	(1)	**(2)**	(1)
Reclassification	-	-	**-**	1
At 31 March	1	4	**5**	7

25. 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	2021 £m	2020 £m
8,821,657,237 (2020: 8,821,657,237) ordinary shares of £1 each	**8,822**	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 1 April 2019	4,139	(5,769)	**(1,630)**
New shares issued – conversion of sub-ordinated loan to equity	**3,378**	-	**3,378**
New shares issued – conversion of preference shares into share capital	**63**	(14)	**49**
New shares issued – refinancing of SFA facility	**443**	-	**443**
New shares issued – refinancing of intra-group loans and facilities	**229**	-	**229**
New shares issued – others	**570**	-	**570**
Profit for the year	**-**	755	**755**
At 31 March 2020	**8,822**	**(5,028)**	**3,794**
Loss for the year	**-**	(12)	**(12)**
At 31 March 2021	**8,822**	**(5,040)**	**3,782**

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

26. Future capital expenditure

	2021 £m	2020 £m
Contracted but not provided for	**88**	201
Authorised but contracts not yet placed	**397**	158

At the end of the period there was £7m (2020: £5m) of future expenditure planned in relation to intangible assets.

27. Exposure for cash outflows relating to leases

	2021 **£m**	2020 £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**	3
Future cash outflows relating to leases committed but not yet commenced	**7**	7
	8	10

28. Contingencies

	2021 **£m**	2020 £m
Guarantees given under trade agreements	**36**	23
Others	**10**	22

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.

29. Reconciliation of cash generated from total operations

	2021 **£m**	2020 £m
Profit/(loss) after taxation	**(793)**	1,209
Adjustments for:		
Taxation	**164**	(166)
Depreciation and amortisation including impairment items (net of grants released)	**405**	546
Gain due to waiver on loan principal	**-**	(774)
Profit on disposal of property, plant and equipment and Group companies	**-**	(22)
Finance income	**(5)**	(1,256)
Finance expense	**154**	360
Share of post-tax results of joint ventures and associates	**(7)**	(4)
Movement in pensions and post-retirement benefits	**(58)**	(45)
Movement in provisions for impairments of trade receivables	**1**	(1)
Movement in insurance and other provisions	**287**	15
Movement in spares	**(2)**	(18)
Movement in inventories	**(28)**	152
Movement in receivables	**87**	(11)
Movement in payables	**329**	(241)
Net rationalisation costs provided	**6**	41
Utilisation of rationalisation provisions	**(27)**	(26)
Net cash flow generated/(used in) from operations	**513**	(241)

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

	2021 £m	2020 £m
Movement in cash and cash equivalents	**32**	10
Movement in total debt excluding bank overdrafts	**50**	431
Change in net debt resulting from cash flows in period	**82**	441
Exchange rate movements	**53**	(108)
Fair value of forward rate agreements	**-**	(2)
Other non-cash changes	**(161)**	5,022
Movement in net debt in period	**(26)**	5,353
Net debt at beginning of period	**(1,827)**	(7,180)
Net debt at end of period	**(1,853)**	(1,827)

31. Analysis of net debt

	1 April 2020 £m	Cash flow £m	Exchange rate movements £m	Other non-cash movements £m	31 March 2021 £m
Cash and short-term deposits	138	27	(4)	-	**161**
Bank overdrafts	(4)	5	(1)	-	**-**
Cash and cash equivalents	134	32	(5)	-	**161**
Other non-current borrowings	(1,377)	(2)	55	(29)	**(1,353)**
Bank/other loans and loan notes	(325)	(19)	-	(2)	**(346)**
Obligations under leases	(259)	71	3	(130)	**(315)**
Total debt excluding bank overdrafts	(1,961)	50	58	(161)	**(2,014)**
	(1,827)	82	53	(161)	**(1,853)**

The other non-cash movements in respect of other non-current borrowings relate to £29m of loan transaction costs amortised during the year, together with unwinding of interest gain recognised on debt modification in FY20.

The other non-cash movements in respect of bank/other loans and loan notes relates to rolling up of interest of £2m into principal in respect of a short-term loan from the parent company.

The other non-cash movements in respect of obligations under leases comprises £130m of additions of new lease contracts.

32. Disposal of group undertakings

During the prior year, the Group entered 61 of its subsidiaries into liquidation, which were still in liquidation as at 31 March 2020. Of these subsidiaries the following completed liquidation during the year, and were subsequently dissolved:

Tata Steel International (Denmark) A/S (dissolved 3 December 2020)
Tata Steel International (Schweiz) AG (dissolved 28 December 2020)
Corus Tubes Poland Spólka z.o.o (dissolved 24 March 2021)

Also during the year, the company completed the dissolution of Smith, Druce Stainless Limited on 10 November 2020 which was a restored company following a previous strike off.

During the year, the Group entered Tata Steel Denmark Byggesystemer A/S, CBS Investissements SAS (following its legal merger into Tata Steel France Batiment Et Systemes), and Cogent Power Inc. into liquidation. These took effect on 30 June 2020, 31 July 2020, and 28 February 2021 respectively.

Further details of these liquidations can be found on Note 36.

The profit/(loss) on disposals were as follows:

2021	£m
Cash received from subsidiary in liquidation (i)	1
Impairment of loan due from subsidiary in liquidation (ii)	(2)
Impairment of deferred consideration (iii)	(15)
Loss on disposal of subsidiaries	(16)

(i) The Group received £1m cash from Tata Steel International (Schweiz) AG following the completion of the liquidation process for this company which was commenced in the prior year.

(ii) The Group recognised a loss of £2m as a result of impairing an loan due from Tata Steel Sweden Byggsystem AB which was entered into liquidation in the previous financial year.

(iii) The Group has recognised an impairment of £15m in relation to deferred consideration on previous business divestments for which recoverability is now deemed uncertain. This impairment consists of £7m in relation of preference shares (note 11) and £8m in relation to deferred payments (note 12).

33. 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.

	2021 **£m**	2020 £m
Amounts reported within the consolidated income statement:		
Sales to joint ventures	50	63
Sales to associates	94	105
Sales to other Group companies	22	20
Other operating income with other Group companies	3	9
Purchases from associates	29	31
Purchases from ultimate parent company	2	2
Purchases from other Group companies	1,673	1,735
Interest on loans from immediate parent company (Note 5)	2	140
Interest on loans from other Group companies (Note 5)	50	66
Effective interest on redeemable non-cumulative preference shares issued to immediate parent company (Note 5)	-	2
Discount on disposal of trade receivables within purchase agreement with Group company (Note 5)	-	48
Waiver of loan interest owed to immediate parent company (Note 5)	-	1,118
Waiver of loan principal owed to immediate parent company	-	774
Amounts reported within the Consolidated balance sheet:		
Amounts owed by joint ventures (Note 15)	7	3
Amounts owed by associates (Note 15)	12	9
Amounts owed by ultimate parent company (Note 15)	4	5
Amounts owed by other Group companies (Note 15)	14	3
Amounts owed to joint operations (Note 19)	1	-
Amounts owed to associates (Note 19)	3	3
Amounts owed to other Group companies (Note 19)	946	879
Interest payable to immediate parent company (Note 19)	1	1
Interest payable to other Group companies (Note 19)	1	1
Loans owed to immediate parent company (Note 18)	36	34
Loans owed to other Group companies (Note 18)	108	90

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

Proco and Proco Issuer

(a) During 2010/11, an arrangement for extended payment terms was reached between TSE, Proco and certain raw material suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by Proco. During 2011/12, this was extended to include a further arrangement whereby Proco acts as principal within certain supply agreements (e.g. raw material and fuel). Under this arrangement, Proco makes the payment to the supplier when due and then Proco provides the extended credit terms to TSE in return for an increase in purchase price. As at 31 March 2021 £929m (2020: £847m) was owed to Proco under these arrangements collectively, with total financing costs in the period of £46m (2020: £52m). Total purchases in the year in relation to this agreement were £1,596m (2020: £1,729m).

(b) Up to March 2020, a non-recourse securitisation arrangement was in place with Proco Issuer whereby it purchased certain trade receivables from TSE in the UK, Sweden and Spain. The purchase price of these transactions was set with reference to the carrying value of the underlying receivables less a default deduction and a discount charge, with the receivables de-recognised by the applicable TSE Group member at the time of sale to Proco Issuer and a discount on disposal (representing the default deduction and discount charge) recognised at the same time. The discount on disposal for the period to March 2021 amounted to £nil (2020: £48m). During the year TSE recognised £nil (2020: £3m) of servicing income with Proco which reflects the administration costs incurred by TSE for collecting the debtors on behalf of Proco. As at 31 March 2021 £nil (2020: £nil) was owed to Proco Issuer under this arrangement. This is due to the fact that this arrangement was fully unwound on 26 March 2020 by TSE repurchasing all outstanding receivables at this date at their market value.

(c) Up to 31 March 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. At 31 March 2021, £109m (2020: £91m), including £1m interest accrued (2020: £1m) was owed to Proco under this arrangement, with total financing costs in the period of £4m (2020: £5m).

ABJA Investment Co. Pte Limited (ABJA)
During the December 2013 quarter, and the March 2014 quarter Tata Steel Netherlands Holdings BV issued unsecured loan notes both with value of £63m (€75m) to ABJA, redeemable on 2 May 2023. The notes were interest bearing at an arm's length rate, which is payable on a semi-annual basis. The cumulative finance costs for these notes were £nil (2020: £9m) in the year. These unsecured loan notes were fully repaid on 3 February 2020.

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 £nil being payable for 2021 (2020: £nil).

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

	2021 £m	2020 £m
Short-term employee benefits	**7**	4
Other long term benefits	**-**	1
	7	5

34. Events after the reporting period

On 28 May 2021 Royal Decree was granted in the Netherlands to change the loss compensation for corporate income tax effective from 1 January 2022. If this change in tax rate had been enacted prior to 31 March 2021, the deferred tax asset recognised by the Group would have been lower by around £50m and the taxation charge in the income statement would have been higher by the same amount.

35. 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.

36. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2021 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)	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)	Waldstrasse 67, Netphen, 57250, 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)	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
Tata Steel International (Schweiz) AG (xiv)	Wartenbergstrasse 40, Basel, 4052, Switzerland
Turkey	
Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Elmadag Harbiye Mahalessi Cumhuriyet Caddesi No: 48, Pegasus Evi Kat:7, Sisli, ISTANBUL, Turkey
UAE	
Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
United Kingdom	
00302520 Limited (xiii)	Hill House Little New Street London EC4A 3TR
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
Alloy Steel Rods Limited (xiii)	Hill House Little New Street London EC4A 3TR
Bell & Harwood Limited (xiii)	Hill House Little New Street London EC4A 3TR
Birmingham Steel Processors Limited (ii) (iii)	9 Albert Embankment London SE1 7SN
Blastmega Limited (xiii)	Hill House Little New Street London EC4A 3TR
Bore Samson Group Limited (xiii)	Hill House Little New Street London EC4A 3TR
Bore Steel Limited (xii)	Hill House Little New Street London EC4A 3TR
British Bright Bar Limited (xiii)	Hill House Little New Street London EC4A 3TR
British Guide Rails 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 Engineering Steels (Exports) Limited (xiii)	Hill House Little New Street London EC4A 3TR
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
C Walker & Sons Limited (xiii)	Hill House Little New Street London EC4A 3TR
Catnic Limited (ii) (iii) (viii) (ix)	18 Grosvenor Place London SW1X 7HS
Cogent Power Limited (ii) (iii) (x)	18 Grosvenor Place London SW1X 7HS
Cold Drawn Tubes Limited (xiii)	Hill House Little New Street London EC4A 3TR
Color Steels Limited (xiii)	Hill House Little New Street London EC4A 3TR
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel UK Limited PO Box 101 Weldon Road Corby Northamptonshire NN17 5UA
Cordor (C&B) Limited (xiii)	Hill House Little New Street London EC4A 3TR
Corus CNBV Investments (ii) (iii)	18 Grosvenor Place London SW1X 7HS

Corus Cold Drawn Tubes Limited (xiii)	Hill House Little New Street London EC4A 3TR
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 Engineering Steels Overseas Holdings Limited (xiii)	Hill House Little New Street London EC4A 3TR
Corus Engineering Steels Pension Scheme Trustee Limited (xiii)	Hill House Little New Street London EC4A 3TR
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 Large Diameter Pipes Limited (xiii)	Hill House Little New Street London EC4A 3TR
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 Service Centre Limited (xiii)	19 Bedford Street Belfast BT2 7EJ
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)	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
Lye Spenser Steel Services Limited (ii) (iii)	9 Albert Embankment London SE17SP
Nationwide Steelstock Limited (xiii)	Hill House Little New Street London EC4A 3TR
Orb Electrical Steels Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Ore Carriers Limited (xiii)	Hill House Little New Street London EC4A 3TR
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
Round Oak Steel Works Limited (xiii)	Hill House Little New Street London EC4A 3TR
Runblast 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
Seamless Tubes Limited (xiii)	Hill House Little New Street London EC4A 3TR
Steel Peech & Tozer Limited (xiii)	Hill House Little New Street London EC4A 3TR
Steel Stockholdings Limited (xiii)	Hill House Little New Street London EC4A 3TR
Steelstock 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 Stanton Housing Company Limited (xiii)	Hill House Little New Street London EC4A 3TR
The Steel Company of Wales Limited (xiii)	Hill House Little New Street London EC4A 3TR
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
UKSE Fund Managers Limited (xiii)	Hill House Little New Street London EC4A 3TR
Walker Manufacturing And Investments Limited (xiii)	Hill House Little New Street London EC4A 3TR
Walkersteelstock Limited (xiii)	Hill House Little New Street London EC4A 3TR
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
Whitehead (Narrow Strip) 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)	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

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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