

**TATA STEEL**

A low-angle, upward-looking photograph of a modern cable-stayed bridge. The bridge's concrete deck and support structures are dark grey, while the numerous stay cables are a vibrant blue. The sky is a clear, bright blue. The image is framed by a curved blue border at the top.

Tata Steel Europe Limited  
Report & Accounts 2023

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## A1. Group's business

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### *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 2023.

### *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 depository receipts listed on the London and the Luxembourg Stock Exchanges. TSE's principal operating subsidiaries are Tata Steel IJmuiden BV ('TSIJ') and Tata Steel UK Limited ('TSUK'), which are companies incorporated in the Netherlands and England and Wales respectively.

### *Principal activities*

The principal activities of the Group in 2022/23 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 2022/23 these plants produced 9.3mt of liquid steel (2021/22: 10.1mt) with the lower level of production during the year due mainly to weaker market demand in Europe in the second half of the year. During the year 6.3mt of liquid steel was produced at IJmuiden (2021/22: 6.6mt) and 3.0mt was produced at Port Talbot (2021/22: 3.5mt).

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.

Since October 2021 TSE has operated with two separate businesses. One of these businesses is centred on the UK but also including manufacturing assets in Sweden and Norway as well as certain international sales offices (together 'the UK Business') and the other is centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business'). Following separation, TSE's role is to provide financial oversight and

assurance in relation to the Group and to support where necessary effective co-ordination between the two 'Value Chains'. Even though the separation has occurred, this Strategic Report has continued to be prepared on a TSE Group basis with references to the combined Group as a whole. Where appropriate, the report will distinguish between reporting applicable to the UK or MLE Business.

Further information on TSE can be obtained from either the company's website ([www.tatasteeleurope.com](http://www.tatasteeleurope.com)) and/or the TSL 2022/23 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

### *Strategic activities*

During the year the UK Business undertook a significant maintenance programme focused on its steel making assets in Port Talbot in order to improve operational stability. This included a successful installation of a new charger crane in the steel plant, refurbishment of the Blast Furnace stoves and the first phase of the replacement of the teeming ladle fleet. As economic conditions deteriorated in the second half of the year the UK Business focussed its efforts on improving the business performance and responding to the downturns in its financial results. This included the launch of the 'Drive to Save' programme in March 2023 which is targeting a reduction in the levels of spend and will ensure that the business has a strong focus on cash as it moves into the next financial year.

For the MLE Business further progress was made in the year on its 'Strategic Asset Roadmap' (STAR) capital investment programme to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. Most noticeably, projects in the Hot Strip Mill, Cold Mill 21 ('CM21') and Galvanising line 3 were delivered. However the start-up of the CM21 project took longer than expected leading to supply issues to customers. Further progress was also made on the decarbonisation plans in the Netherlands with the announcement in July 2022 that Tata Steel Nederland BV ('TSN') and government bodies had entered into an amended and restated joint "Expression of Principles", outlining the shared ambition to transform TSN into a clean, green and circular steel producer. For further details of TSE's decarbonisation ambitions please see page 14.

## A2. Principal risks and uncertainties

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

Risks	Mitigating factors
<b>Health, safety, environmental and other compliance matters</b>	
<p>TSE's priority at all times is the health, safety and wellbeing of staff and contractors. Available capital expenditure funding is therefore prioritised to this area. The Group has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the TSUK and TSN boards to continuously improve health and safety performance, enforce compliance and to minimise the impact of the Group's operations on the environment.</p> <p>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.</p> <p>Improving environmental performance and its linkage to "license to operate" is a key focus of the Group. The "license to operate" of the Group depends on the balance which its businesses achieve between the value of their products and services to society, the jobs they create, their contributions to communities and local economies, and their environmental footprint. Environmental issues, such as dust emissions in the vicinity of the Group's manufacturing sites, are key areas of concern for local communities which may negatively harm the "licence to operate" of its businesses.</p>	<p>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.</p> <p>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.</p> <p>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 &amp; 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.</p> <p>The Group is increasing its contact with local communities closest to its manufacturing operations to explain the measures taken by the Group to reduce emissions and avoid environmental nuisance and to listen to their main concerns regarding the Group's steel making activities.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<b>Climate Change</b>	
<p>Climate-related risks are central to the TSUK and TSN risk registers. This includes climate change-induced physical risks such as those linked to rising sea levels and extreme weather events disrupting supply chains (e.g. storms, flooding, droughts, severe winds), and transition risks which include technological, policy and market changes to adapt to a lower-carbon economy.</p> <p>For the steel industry, transition risks include increased 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.</p> <p>One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. TSUK and TSN are working in partnership with governments on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future. Due to the significant amount of capital that would be required in order to invest in greener steelmaking, a risk remains that without sufficient government support in the countries in which TSE operates, the Group may not be able to meet long term sustainability objectives, leading to higher carbon taxes and potentially a reduction in orders from environmentally conscious customers.</p>	<p>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.</p> <p>In 2021, TSUK and TSN started to pass on costs of carbon taxes to customers in the form of an additional surcharge which is adjusted when carbon costs change. Transparency in pricing of steel products is important and end customers and society as a whole should recognise that decarbonisation is likely to involve higher costs.</p> <p>Future anticipated regulatory changes, including a Carbon Border Adjustment Mechanism in the UK and EU, are required to protect European steel producers from imports from countries that are not subject to the same level of carbon taxes. TSE is supportive in principle of the EU's proposed Carbon Border Adjustment Mechanism, but care will be needed in its design if it is to have the intended effect of incentivising rapid decarbonisation amongst EU steelmakers.</p> <p>In September 2021, Tata Steel announced it will pursue a hydrogen route to decarbonisation at its IJmuiden steelworks. This involves the introduction of direct reduced iron (DRI) technology which can make iron using natural gas or hydrogen, before it is converted to steel in one or more electric furnaces to be invested in the future. In the UK, Tata Steel has been active for several years in exploring a number of possible options which could be used to decarbonise its operations. If government support were not to be available then the UK Business would be forced to look at alternative strategies for the business</p>
<b>Long term competitiveness</b>	
<p>TSE's manufacturing facilities are largely based in Europe which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world. Increasing raw material costs as well as high energy and CO2 costs challenge the long-term competitiveness of strip products.</p> <p>One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. Tata Steel is working in partnership with national governments on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future.</p>	<p>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.</p> <p>The most significant of these initiatives is the Transformation programme, which aims to deliver operational, commercial and supply chain improvements and enable the Group's businesses to reach sustainable levels of EBITDA even in an economic downturn. As part of the Transformation programme, the Group will continue to target and grow its offering of a high value, differentiated product mix to the market.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<b>Financing</b>	
<p>TSE is financed in part through external bank facilities referred to as the senior facility agreement ('SFA') and also by local financing arrangements in both the UK and MLE businesses. During 2022/23 TSE made further prepayments on the SFA which reduced the amount payable from €470m to €302m. This reduced amount was then subsequently refinanced with a single bank (as opposed to the previous syndicate of banks) on the same payments terms, however with less covenants and more favourable interest costs.</p> <p>TSE is committed to long term financial independence and in recent years a significant amount of debt to TSE from TSL Group companies was converted into equity or waived. Short term facilities have been put in place for the UK business with the intention being that TSUK can manage any liquidity challenges using these facilities without any support from TSL Group companies.</p> <p>Access to finance may be required to enable the Group's transition to a low carbon future with potential capital investments running into the billions of pounds in a potentially short space of time.</p>	<p>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.</p> <p>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. As referenced on page 30, the UK Business benefits from two non-binding letters of support from TSL Group companies in order to help manage its liquidity.</p> <p>Following repayments of debt and conversion of parent company debt to equity, the Group's balance sheet is not highly leveraged with only a small proportion of external debt. Together with the Dutch Government, TSN is working on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future. In the UK, Tata Steel continues to hold talks with the UK Government around support for its decarbonisation plans.</p>
<b>Trading in the global steel market</b>	
<p>The Group's financial performance is influenced by the global steel market and the economic climate in Europe. TSE is one of a number of European steel producers which are being squeezed between rising import pressures and a long term decline in demand, with the situation being particularly acute for producers of hot rolled flat products. The surge in imports in recent years forced TSE and other EU producers to pursue antidumping (AD) actions, investigation of unfair imports and imposition of trade remedy measures.</p> <p>Despite measures being in place to support EU producers, vulnerabilities remain, as safeguards to manage volumes do not address prices. Furthermore, the Tariff Rate Quotas (TRQs) set a cap on imports, but at a high level which varies by product, and are based around historical EU imports, when demand was higher than today. TSE is monitoring the current status and utilisation of safeguard quotas and their impact on stabilising traditional import flows and prevention of market-disrupting import concentration. Post Brexit, TSUK is also facing a risk of an insufficient response by the new UK Trade Remedy Authority (TRA) on implementation of trade defence instruments.</p>	<p>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.</p> <p>The Group will continue to monitor and respond to the emerging legislation in the UK as it establishes a standalone regulatory environment post Brexit.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<b>Raw materials and energy</b>	
<p>The Group does not have access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depends, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap.</p> <p>Exposure to raw material shortages has not been a high risk historically, though this is going to need to be managed effectively for a period of time following the impact of the COVID-19 pandemic and sanctions placed on Russia following the continuing war in Ukraine. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of the vessels if they come from high risk countries, or disruptions and restrictions in the country of origin of raw materials.</p>	<p>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.</p> <p>Exposure to energy shortages and price increases are a very relevant risk at the moment due to disruption caused by the war in Ukraine and sanctions being placed on Russia. These risks are closely watched and extreme volatility in the market is partly mitigated by short term price hedging. In response to Russian actions in Ukraine, the Group announced in April 2022 that it has decided to end procurement of coal from Russia and to source supplies from alternative countries. In addition the Group continues to target measures to reduce its energy requirements, e.g. by increasing self-generation of electricity and efficiency improvements.</p>
<b>Performance and operations</b>	
<p>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.</p>	<p>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.</p>
<b>Digital resilience</b>	
<p>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.</p> <p>The threat of cyber-attacks has continued as a genuine business risk due to large scale criminal activity targeting major businesses across all industries. TSE therefore has a focus on preventative measures to help maintain a low level of vulnerability.</p>	<p>Significant investment has been committed to combat the increasing global threat from cyber incidents to manufacturing companies, including continuing investment in a central Operational Security Service (including a Security Operations Centre), and both IT and process control security projects to improve resilience, manage security incidents and improve event detection.</p> <p>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.</p>

### A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments																				
<p><b>Safety:</b></p> <table border="1"> <caption>Safety KPI Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>LTIF</th> <th>Recordables</th> </tr> </thead> <tbody> <tr> <td>FY20</td> <td>1.6</td> <td>4.5</td> </tr> <tr> <td>FY21</td> <td>1.6</td> <td>4.5</td> </tr> <tr> <td>FY22</td> <td>1.8</td> <td>4.5</td> </tr> <tr> <td>FY23</td> <td>1.87</td> <td>4.98</td> </tr> </tbody> </table>	Fiscal Year	LTIF	Recordables	FY20	1.6	4.5	FY21	1.6	4.5	FY22	1.8	4.5	FY23	1.87	4.98	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>LTIF was 1.87 in 2022/23, which compares to 1.79 in 2021/22.</li> <li>The recordables rate, which includes lost time injuries as well as minor injuries, rose from 4.60 in 2021/22 to 4.98 in 2022/23.</li> </ul>					
Fiscal Year	LTIF	Recordables																				
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<p><b>EBITDA &amp; EBITDA Margin:</b></p> <table border="1"> <caption>EBITDA &amp; EBITDA Margin Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>EBITDA (£m)</th> <th>EBITDA%</th> </tr> </thead> <tbody> <tr> <td>FY20</td> <td>100</td> <td>0%</td> </tr> <tr> <td>FY21</td> <td>100</td> <td>0%</td> </tr> <tr> <td>FY22</td> <td>1209</td> <td>14%</td> </tr> <tr> <td>FY23</td> <td>464</td> <td>5%</td> </tr> </tbody> </table>	Fiscal Year	EBITDA (£m)	EBITDA%	FY20	100	0%	FY21	100	0%	FY22	1209	14%	FY23	464	5%	<ul style="list-style-type: none"> <li>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.</li> <li>EBITDA margin measures how efficiently revenue is converted into EBITDA.</li> </ul>	<ul style="list-style-type: none"> <li>EBITDA in 2022/23 decreased to £464m (2021/22: £1,209m) and the EBITDA margin decreased to 5% (2021/22: 14%) due mainly to the weakening of the European steel market during the second half of the current financial year, which has seen a reduction in customer demand due to general economic conditions, alongside decreasing selling prices along and continued high energy and raw material costs which have reduced margins.</li> <li>See page 22 for a reconciliation of statutory profit to the EBITDA Alternative Performance Measure (APM).</li> </ul>					
Fiscal Year	EBITDA (£m)	EBITDA%																				
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<p><b>Net Debt:</b></p> <table border="1"> <caption>Net Debt Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>External Debt (£bn)</th> <th>Inter-Group Debt (£bn)</th> <th>Cash (£bn)</th> </tr> </thead> <tbody> <tr> <td>FY20</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>FY21</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>FY22</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>FY23</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> </tbody> </table>	Fiscal Year	External Debt (£bn)	Inter-Group Debt (£bn)	Cash (£bn)	FY20	0.0	0.0	0.0	FY21	0.0	0.0	0.0	FY22	0.0	0.0	0.0	FY23	0.0	0.0	0.0	<ul style="list-style-type: none"> <li>This shows total debt less cash and cash equivalents, and short-term investments.</li> <li>It reflects the Group's overall funding position.</li> </ul>	<ul style="list-style-type: none"> <li>Net debt at 31 March 2023 was £1,379m (2021/22: £1,317m). For further details see note 32.</li> <li>The increase in net debt from 2021/22 to 2022/23 was mainly due to the increased external borrowing within the UK business.</li> </ul>
Fiscal Year	External Debt (£bn)	Inter-Group Debt (£bn)	Cash (£bn)																			
FY20	0.0	0.0	0.0																			
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FY23	0.0	0.0	0.0																			



### A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments										
<p><b>Volume Performance:</b></p> <table border="1"> <caption>Volume Performance (mt)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Volume (mt)</th> </tr> </thead> <tbody> <tr> <td>FY 20</td> <td>10.1</td> </tr> <tr> <td>FY 21</td> <td>9.6</td> </tr> <tr> <td>FY 22</td> <td>10.1</td> </tr> <tr> <td>FY 23</td> <td>9.3</td> </tr> </tbody> </table>	Fiscal Year	Volume (mt)	FY 20	10.1	FY 21	9.6	FY 22	10.1	FY 23	9.3	<ul style="list-style-type: none"> <li>Liquid steel production from operations. This reflects the level of physical activity and is a key indicator of the manufacturing performance of upstream assets.</li> <li>It is also a measure by which the steel industry compares the size of companies on a global scale.</li> </ul>	<ul style="list-style-type: none"> <li>Liquid steel production was 9.3mt in 2022/23 (2021/22: 10.1mt) with the lower level of production during the current year due mainly to weaker demand in the European steel market in the second half of the year.</li> <li>During the year 6.3mt of liquid steel was produced at IJmuiden (2021/22: 6.6mt) and 3.0mt at Port Talbot (2021/22: 3.5mt).</li> </ul>
Fiscal Year	Volume (mt)											
FY 20	10.1											
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<p><b>Environment:</b></p> <table border="1"> <caption>Environment Performance (CO<sub>2</sub>/tcs)</caption> <thead> <tr> <th>Fiscal Year</th> <th>CO<sub>2</sub>/tcs</th> </tr> </thead> <tbody> <tr> <td>FY 20</td> <td>1.98</td> </tr> <tr> <td>FY 21</td> <td>1.97</td> </tr> <tr> <td>FY 22</td> <td>1.98</td> </tr> <tr> <td>FY 23</td> <td>1.97</td> </tr> </tbody> </table>	Fiscal Year	CO <sub>2</sub> /tcs	FY 20	1.98	FY 21	1.97	FY 22	1.98	FY 23	1.97	<ul style="list-style-type: none"> <li>The Group reports its CO<sub>2</sub> 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).</li> <li>The method of calculation used by worldsteel is different to the method used by the UK's Streamlined Energy &amp; Carbon Reporting system (SECR), which is presented in accordance with UK legislation on page 18.</li> </ul>	<ul style="list-style-type: none"> <li>The Group's weighted average emission from its two steelmaking facilities (worldsteel Scopes 1+2+3) was 1.97 tCO<sub>2</sub>/tonne crude steel (tCO<sub>2</sub>/tcs) in 2022/23, broadly in line with that in the two previous years (2020/21: 1.97 tCO<sub>2</sub>/tcs, 2021/22: 1.98 tCO<sub>2</sub>/tcs). The most recent year for which worldsteel has reported benchmark data is 2021, during which the average emissions intensity for integrated steelmaking (on a like for like basis to that reported here) was 2.32 tCO<sub>2</sub>/tcs. The average emissions intensity for the best 15% of steel producers was 1.97 tCO<sub>2</sub>/tcs. Thus, the Group's emission performance is substantially better than the worldsteel average benchmark and consistent with the level of the best performers. The worldsteel average is based on data reported from participating companies, covering 65 integrated steelmaking facilities (and 75% of global blast furnace-based steel production excluding China). Note that all data presented above are based on the worldsteel method excluding credits for delivery of granulated blast furnace slag to the cement industry.</li> </ul>
Fiscal Year	CO <sub>2</sub> /tcs											
FY 20	1.98											
FY 21	1.97											
FY 22	1.98											
FY 23	1.97											

## A4. Business Review

### Business environment and prospects

#### *Dynamics of the business*

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

#### *Macroeconomic environment*

Economic growth decelerated globally in the second half of the calendar year 2022. Economic activity was impacted by the rise of central bank rates to fight inflation, the war in Ukraine and the spread of COVID in China. Global GDP growth increased by 3.1% (2021: 6.2%). Inflation was at 7.8%, significantly above levels seen in previous years (2.9% in 2016-2020). In China GDP growth grew by 3.0% (2021: 8.5%). The deceleration in China was mainly due to the lockdowns as a result of COVID outbreaks which impacted consumer spending and industrial output, and a slowdown of real estate. Lower economic growth in China led to reduced global trade growth and lower global commodity prices. The EU economy decelerated to 3.6% (2021: 5.3%) and the UK economy to 4.0% (2021: 7.6%). The EU and UK economy remained resilient due to the strong contribution from the services sector and overall positive developments over the first half of the calendar year. In the second half of the calendar year consumer confidence and business sentiment worsened as central banks started to increase interest rates.

#### *Steel demand and production*

Global steel demand decreased by -3.2% in calendar year 2022 in line with the worsening macroeconomic conditions (2021: 2.8%). Demand in China decreased by -3.5% (2021: -5.4%) as output in the real estate sector declined. New construction starts declined by -36% for the year. Demand in the EU28 decreased by -8.0% (2021: 18.1%). Output growth in the steel-using-sectors was positive in calendar year 2022 due to strong output in the first half of the calendar year. However, steel demand when viewed across the full year declined strongly due to a significant destock, especially during the latter part of the year. The destock was triggered by lower

business confidence caused by high energy prices and inflation, as well as the deterioration of the economic outlook.

In calendar year 2022 global steel production decreased by -4.7% (2021: 3.9%). Steel production in China decreased by -2.6% (2021: -2.9%) and equated to 55% (2021: 54%) of global steel production. In the EU production decreased by -10.8% (2021: 15.6%) as ~20% of EU blast furnaces were idled in response to lower demand for steel.

#### *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%) decreased in calendar year 2022 to US\$121/t (-\$39/t). The price declined because there was lower demand for iron ore due to the reduction of output by blast furnaces globally. The hard coking coal spot price (Australia FOB) increased to US\$365/t (+\$141/t). The price was at an all-time high of US\$594/t in March 2022 due to the loss of supply from Russia as a result of the war in the Ukraine. The German benchmark scrap price (Sorte 2/8) increased to €414/t (+€16/t) compared to the previous calendar year. The price of CO<sub>2</sub> increased in calendar year 2022 to €81/t (+€28/t), reaching an all-time high in February 2022 at €91/t. Reforms of the EU Emissions Trading System, reducing the supply of permits, are causing the price to rise.

The European steel spot Hot Rolled Coil price (Germany, parity point) decreased in calendar year 2022 to €930/t (-€44/t). In April 2022 the steel price was at an all-time high of €1,385/t due to the loss of supply from Ukraine and Russia. In the later part of the calendar year the price reduced sharply as demand for steel reduced.

#### *Trade*

In calendar year 2022 imports into the EU decreased to 28.9Mt (2021: 30.3Mt). Low margins in the second half of the calendar year made it unprofitable for exporters to sell material in the EU. In 2022 the market share of imports in the EU increased to 19.7% (2021: 18.9%). The market share of imports in the EU was at a historical high. The trend where the steel-using-sectors in the EU are increasingly sourcing steel from third countries continued.

The EU remains a net importer of steel with net imports of 12.3Mt (imports: 28.9Mt, exports: 16.6Mt). The region has been a net importer since 2015.

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### *Prospects for 2023*

For calendar year 2023 the outlook for the EU and UK economy is that growth will be low (+0.5% for the EU and 0.0% for the UK). Monetary policy tightening is expected to have a negative impact on growth. Output in construction and machinery is expected to decline whilst automotive is expected to grow slightly. Demand for steel in the EU is expected to continue to decline by -1.6%. Downside risks to these forecasts are higher than expected inflation, the lagged effect of monetary tightening and unexpected developments in geopolitics.

### *Civil society advocacy*

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

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

## **Employees**

### *Health and safety*

Health and safety continues to be the Group's first priority as it strives to achieve its goal of ensuring zero harm to our employees, contractors and the communities in which we operate.

The five guiding commitments of health and safety are as follows:

- I protect myself and others because I care;
- I follow current standards and procedures as the best way to work safely;
- I assess risks whenever there is a change to the workplace;
- I always lead by example; and
- I challenge (and accept being challenged) or I stop the job.

The Group's ambition remains to be the health and safety benchmark in steel. During the year, TSE's key statistics of recordable injury rate and all known injury rate show that positive steps are being made towards realising this ambition.

However, despite this in the morning of 14 September 2022 there was a tragic fatality at the Llanwern site in South Wales to an employee involved in rail shunting operations. The thoughts of all the Group remain with the family, friends and work colleagues of the deceased. A full investigation was initiated and the UK Business held a series of Time Out for Safety Workshops for all employees and core contractors as part of an overall increased engagement on health and safety across the business.

The combined lost time injury frequency (LTIF) rate in 2022/23 for employees and contractors worsened slightly to 1.87 compared to 1.79 in the previous year. A similar picture was observed with the recordables rate, which includes lost time injuries as well as minor injuries, which rose to 4.98 in 2022/23 compared to 4.60 in 2021/22. However, the injury frequency rate for all injuries overall reduced from 19.7 to 18.2 showing a reduction in the number of injuries.

TSE revitalised its programme of face-to-face senior leadership safety tours, which are an effective way of engaging with employees, holding positive safety conversations, checking controls, barriers and enable challenge to improve standards. The tours enable leaders to demonstrate felt leadership in the workplace, along with continued health, safety and process safety leadership training.

There has been an increased focus on high severity and potential high severity events rather than, for example, low potential slips, trips and falls at level. This increased focus resulted in management team members visiting potential high severity events to review and give focus. These now feature in regular processes and reviews to ensure the organisation learns from such events and to minimise the likelihood of repeat events.

The Healthy Tata Steel programme aims to allow every individual who works at Tata Steel to be able to work and interact positively and productively with all colleagues and stakeholders, and to realise their full potential. The programme promotes a positive culture for health and wellbeing, and strives to increase awareness, involvement and confidence. A regular focus on health, including mental health, has been integrated into our day-to-day business,

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aiming to prevent work-related illness, encourage health surveillance, promote health and wellbeing, and support recovery and rehabilitation.

### *Employee numbers*

During the financial year ended 31 March 2023 the average number of employees in the Group increased to 20,300 (2022: 20,100).

### *Employment policies*

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

As part of a trans-national, multi-cultural group, TSE's businesses are committed to providing an environment that recognises and values the differences in employee backgrounds and skills and to provide equality of opportunity for all employees and seeks to maximise the benefits available from a diverse workforce. Following on from the adaptations made during the pandemic, the Group has continued to embed flexibility and adaptive working as a part of supporting its diversity and inclusivity action plan.

During the year ended 31 March 2023, the Group increased its focus on Diversity & Inclusion, with a review of the Diversity and Inclusion and Dignity at Work policies, ready for roll out in 2023/24 with supporting e-learning and face to face sessions.

The Group continues to promote the development of our future talent through apprentice, higher apprentice, degree apprentice and graduate programmes and has developed a new suite of leadership development programmes to ensure the continued enhancement of management and leadership capability as employees progress the different stages of their career.

The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed by the Group. Opportunities for promotion, access to benefits and facilities of employment will not be

unreasonably limited and all reasonable adjustments will be made. All reasonable measures will be taken to ensure that disabled staff are given the opportunity to participate fully in the workplace, in training and career development opportunities.

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

### *UK Gender pay*

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

Relative to national and industry statistics TSUK's gender pay gap (3.5% mean gender pay gap and 7.9% median gender pay gap) continues to be at the lower end. The Group continues to focus on steps to further enhance the diversity in its organisation because it believes having the right people in the right job is important.

### *Pension arrangements*

The principal defined benefit pension scheme in the Group at 31 March 2023 is the British Steel Pension Scheme ('BSPS') in the UK which is closed to future accrual. This came into existence on 28 March 2018 as part of the regulated apportionment arrangement ('RAA') agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the Pension Protection Fund ('PPF'). Pension arrangements for employees in the UK are now provided by way of a defined contribution scheme.

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

Further details on these schemes are provided in Note 21.

### *Modern Slavery Act*

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure no slavery or

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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 prior financial year ended 31 March 2022. The statement for the financial year ending on 31 March 2023 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 enrich its local communities and contribute to their future economic and social wellbeing. TSUK's programme of proactive community partnerships embraces three aspects: health and wellbeing, environment, and education and learning. TSUK sponsors a running event – the Richard Burton 10K near Port Talbot which is now in its 40th year and raised more than £50,000 for local charities and good causes in 2022.

In the UK, the business encourages employees to make an active contribution to their local community. Examples include food donations to food banks and donations to charities supporting victims of domestic abuse and families facing poverty and hardship. TSUK has also continued to raise thousands of pounds every Christmas for local communities, to ensure families have something to celebrate. Further initiatives include two Tata Kids of Steel mini-triathlons in the UK in 2022, involving more than 2,000 primary school children who tried swimming, running and cycling, promoting healthy and active lifestyles.

In the Netherlands, activities include 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. Wijk aan Zee was once again the centre of the worldwide sport, Chess, for more than two weeks. More than 15,000 registered spectators and approximately 1,500 amateur players enjoyed the wonderful matches and the good atmosphere in the village.

### **Sustainability & Environment**

#### *Sustainable in Every Sense*

TSE endeavours to be sustainable in every sense. In order to strengthen its sustainability programme and to secure 3<sup>rd</sup> party validation of its progress, the Group (through its parent company, Tata Steel Limited) became a member of ResponsibleSteel™ in 2020. This is the first globally-present sustainability standard development and certification scheme

for the steel industry. Both TSUK and TSN are actively pursuing certification against the ResponsibleSteel™ standard for their integrated steelmaking sites at Port Talbot and IJmuiden respectively.

During 2022/23, the Group engaged in a number of activities through which it will accelerate its sustainability programme. It has established a programme to increase the number of non-financial data it will collect and disclose publicly. It is collaborating with a large software company to implement an integrated data management and reporting platform and has taken steps to secure third party assurance of core non-financial data. TSE has engaged in a programme of stakeholder engagement in a concerted effort to understand better the sustainability issues that different stakeholder groups regard as most important to them and it has conducted assessments of climate-related physical and transition risks in an approach in line with the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD).

#### *Recognition*

The Group has signed the World Steel Association (worldsteel) Sustainability Charter for the period 2022 – 2024 inclusive. In April 2023, Tata Steel Group was again recognised by worldsteel as a Sustainability Champion – making it one of only two companies to have achieved this accolade in each of the six years the initiative has existed (note that worldsteel now recognises the whole of Tata Steel Group as a single member).

The Group secured a worldsteel Steelie award at its 2022 awards ceremony in the category 'Excellence in Life Cycle Assessment (LCA),' adding further to its already strong international reputation for its LCA expertise and activities.

All the Group's manufacturing operations continue to be independently certified as meeting the international environmental management system standard, ISO 14001:2015. In July 2022 and March 2023, Tata Steel secured ongoing certification of all of its products manufactured in the UK and the Netherlands respectively to the sustainability standard, BES6001. Certification against this standard is increasingly being specified by customers in the construction and other market sectors.

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### *Climate Action*

#### *Commitment*

Steel is a fundamental material for a low-carbon economy. Steel is needed for renewable energy, low-CO<sub>2</sub> transportation, infrastructure schemes for large-scale hydrogen production and distribution, and carbon capture, usage & storage (CCUS). It will be needed to build and power the electric vehicles of tomorrow, as well as creating sustainable buildings and delivering major infrastructure projects which will help nations across the globe to achieve their climate goals.

Steel's role in the net zero world of the future is clear, but it is also recognised that the steelmaking process itself creates substantial CO<sub>2</sub> emissions. Tata Steel feels a strong sense of responsibility, therefore, to reduce its own emissions. 2022/23 was a significant milestone in Tata Steel's decarbonisation journey as it adopted during the year a target to be net zero across the entire Tata Steel Group by 2045. This target is also in line with the Tata Group target. Tata Steel Netherlands and Tata Steel UK have each set themselves an interim milestone on this journey to net zero, with targets to reduce emissions by 40% and 30% respectively by 2030, compared to 2018.

The Group has set out its intent to establish science-based targets (SBT), which are medium-term emissions reductions targets consistent with the speed and extent of decarbonisation that the steel sector will need to make in order for the world to meet the 1.5°C goal of the Paris Agreement. Recognising that the pre-existing methodology for the establishment of steel sector SBTs was in need of improvement, Tata Steel took a leading role in the Net Zero Steel Pathway Methodology Project (NZSPMP), a collaboration between steel sector organisations and NGOs. In July 2021, the NZSPMP published a detailed report, laying out the foundations for the development of robust guidelines for steel sector SBTs. The Science-based Target Initiative (SBTi) subsequently commenced its own project to revise science-based target setting methodologies, tools and guidance for steel companies and other stakeholders. Tata Steel was represented on the Expert Advisory Group for this project. From November 2022 to January 2023, the SBTi held a two month-long public consultation for its Steel Sector Guidance and Tool, to ensure the criteria and guidance to support steel companies in their decarbonisation efforts are robust, clear, and practical.

Tata Steel has sought to take an active position in other global initiatives for decarbonisation of the sector and has played a

substantial role in the Mission Possible Partnership's Net Zero Steel Initiative, which aims to inspire an accelerated transition to net zero for the steel sector, including essential innovation, investments, policy, and procurement decisions by the broader industry value chain. Tata Steel is also an active member of ResponsibleSteel™ and has a seat on its governance board.

#### *Public Policy Environment*

The Dutch and UK Governments have sought to take leadership positions in global climate action. The European Commission adopted its 'Fit for 55' package of proposals in July 2021 to align the EU's climate, energy, land use, transport and taxation policies with the legal objective of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. At the end of 2022, the EU institutions reached a final agreement on changes to the cornerstone EU Emissions Trading System (EU ETS), including a landmark agreement to introduce an EU carbon border adjustment mechanism (CBAM).

The UK Government has legislated for net zero by 2050 and, in early 2021, announced its acceptance of the recommendations of its statutory advisory committee on climate change (UKCCC) and legislate to ensure the UK achieves a 78% reduction in emissions by 2035 (compared to 1990) and that ore-based steelmaking in the UK achieves 'near-zero' emissions by 2035. In spring 2022, the UK Government consulted on the future of carbon pricing, with the main aspects of its proposals being that it is seeking to tighten the trajectory of emissions reduction across the traded sector (i.e. those in UK Emissions Trading System (UK ETS)) in line with net zero by 2050 aspirations. This would equate to ~53% reduction in emissions by 2030 compared to 2019. It still hasn't confirmed whether it will enact these measures.

The Group is supportive of the strong leadership positions on climate action that the Dutch and UK Governments have taken. It is committed to working closely with policy-makers to deliver a profoundly important contribution to the achievement of national aspirations. The Group's emission reduction commitments, participation in global initiatives and other actions to date are evidence of this. Yet, the Group cannot achieve its decarbonisation aspirations 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

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strengthen the business case for public and private investment in low-CO<sub>2</sub> steel.

It would be counter-productive if the cost of decarbonising the Group's steelmaking operations in the Netherlands and the UK were to give a competitive advantage to steelmakers in less carbon-constrained jurisdictions; policy measures are thus needed to enable the Group to remain competitive whilst pioneering the steel sector transition to net-zero. These measures should take the form of public procurement and product policies that incentivise the use by society of low-CO<sub>2</sub> steel, measures that accelerate the deployment of clean energy infrastructure and interventions that ensure that steelmakers can access low-cost finance to commercialise high-risk, innovative and first-of-a-kind technologies.

In the EU, the agreement on the future of EU ETS covers the period up to 2030, which will be a critical period for the uptake of low carbon technologies at industrial scale in the steel sector. The new rules include some stronger incentives for the uptake of new decarbonisation technologies, such as revised steel benchmarks providing for the uptake of low-carbon technologies such as Direct Iron Reduction using green hydrogen. However, the pre-defined phase-out of free allocation in conjunction with the introduction of CBAM presents a profound threat to EU steel exports as the carbon compliance costs required to be borne by operators in the EU will not be borne by operators in the domestic markets of major trading partners. In the UK, the Government launched a comprehensive consultation in April 2023 setting out its commitment to a robust suite of measures designed to mitigate against carbon leakage, including a UK CBAM, mandatory product standards and measures designed to grow market demand for low-CO<sub>2</sub> products.

The Group is supportive in principle of the EU's CBAM policy and the expression of intent by the UK Government to continue to ensure carbon leakage mitigations remain a core feature of UK ETS. While the EU's agreement on EU ETS confirms the overall framework, much work remains to be done on their implementation and interaction with the recently adopted CBAM. Care continues to be needed to ensure these mechanisms 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. The level playing field between the EU and UK must also be preserved.

### *Decarbonisation Activities across Tata Steel Europe*

Across Europe, there is a growing recognition that steelmakers need government support to decarbonise. Steelmakers and governments in a number of countries are working together to develop their decarbonisation plans, with such discussions covering selection of suitable technology, access to abundant, green energy supplies and infrastructure at a competitive price, possible fiscal support from the national Governments, and the need to create a competitive regulatory environment. Tata Steel has been involved in detailed engagement with the Dutch, UK and Welsh Governments on these complex themes.

TSN and the Dutch government signed an Expression of Principles in 2022/23 to transition to low CO<sub>2</sub> steel making, with an ambition to reduce CO<sub>2</sub> emission by 5 million tonnes by 2030. In the coming years, TSN will transform into a 'green' steel company running on low-CO<sub>2</sub> electricity and hydrogen, with lower local emissions. TSN's site in IJmuiden will undergo a complete transformation and today's coal-based primary steelmaking process will be completely replaced by green steel production using DRI technology that runs on hydrogen (with direct reduction of iron and electric furnaces). New facilities and electric furnaces will run on sustainable power sources like 'green' hydrogen or 'green' electricity rather than coal.

TSUK is actively exploring a number of possible options which could be used to decarbonise its operations and is now at the stage where it is conducting detailed feasibility work on some of these step-change technology options and discussing these with the UK and Welsh Governments.

Tata Steel was instrumental in the formation of the South Wales Industrial Cluster (SWIC). This region accounts for the equivalent of 16 million tonnes of CO<sub>2</sub> emissions per year. The collaboration allows multiple industries to come together, to share knowledge and expertise with a common goal of reaching net zero. The focus of the group is to identify the best pathway to net zero, develop technology solutions and create the necessary future skilled workforce. Government and industry have contributed co-funding of nearly £40 million in order to achieve this aim.

### *CO<sub>2</sub> 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

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reports its CO<sub>2</sub> 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). It is important when comparing the emissions performance of different installations to define which methodology and which scope are being used.

The Group's weighted average emission from its two steelmaking facilities (worldsteel Scopes 1+2+3) was 1.97 tCO<sub>2</sub>/tonne crude steel (tCO<sub>2</sub>/tcs) in 2022/23, broadly in line with that in the two previous years (2020/21: 1.97 tCO<sub>2</sub>/tcs, 2021/22: 1.98 tCO<sub>2</sub>/tcs). The most recent year for which worldsteel has reported benchmark data is 2021, during which the average emissions intensity for integrated steelmaking (on a like for like basis to that reported here) was 2.32 tCO<sub>2</sub>/tcs. The average emissions intensity for the best 15% of steel producers was 1.97 tCO<sub>2</sub>/tcs. Thus, the Group's emission performance is substantially better than the worldsteel average benchmark and consistent with the level of the best performers. The worldsteel average is based on data reported from participating companies, covering 65 integrated steelmaking facilities (and 75% of global blast furnace-based steel production excluding China). Note that all data presented above are based on the worldsteel method excluding credits for delivery of granulated blast furnace slag to the cement industry.

The Group met its environmental obligations for calendar year 2022, the second year of Phase 4 (2021 to 2030) of EU ETS, and the second year of the operation of the UK ETS. The allocation of CO<sub>2</sub>-credits to its operations continued to be lower than the emitted volume in 2022, with an aggregate shortfall between free allowances and actual emissions of approximately 1.0 million tonnes of CO<sub>2</sub>. This shortfall was less severe than that in 2021, based primarily on reduced steel production volume (and therefore emissions) in the UK. Nevertheless, the ongoing aggregate shortfall remains a profound disadvantage to Tata Steel compared to its competitors outside the EU and UK. The main reason for the shortfall is the use of unachievable benchmarks in the allocation of allowances to steel producers.

### *Dutch Carbon Tax*

The Netherlands introduced a minimum carbon price for power generation and a carbon tax for industry in 2021. The carbon tax has the effect of supplementing the price of EU emissions allowances (EUA) in the EU ETS if they fall below a pre-determined and increasing annual threshold linearly from €30/tCO<sub>2</sub> in 2021 to €136.79 tCO<sub>2</sub> in 2030 (originally set at €125). A mechanism applies to ensure companies only pay the tax on a proportion of emissions above a defined threshold linked to a target of the Dutch government to achieve at least a 55% reduction in CO<sub>2</sub> by 2030 compared to 1990 (and with an ambition to achieve a 60% reduction).

### *Product innovation*

Decarbonisation of its operations is only a part of the positive contribution that the Group is making, as its products are also part of the solution to climate change. Steel is a fundamental material for a low-carbon economy. CO<sub>2</sub> emissions in steel production can be offset by reductions in direct and indirect emissions through the life-cycle of steel products, achieved through effective product development and design, and through recycling at end-of-life. The Group has developed a tool to assess the sustainability of all new products against the products they replace, in a semi-quantitative manner. The Sustainability Assessment Profiler is a unique framework supporting the company's mission to become sustainable in every sense, creates value propositions related to sustainability and supports customer engagement. The framework considers environmental, social and economic aspects over the complete product life cycle in a consistent manner in an approach that puts the Group ahead of other international steel companies.

### *Carbon Lite*

During 2022/23, the Group launched commercial propositions that allow customers to take a stake in its decarbonisation journey, whilst demonstrating their own contribution to societal CO<sub>2</sub> emission reductions. Under the brand names Zeremis Carbon Lite and Optemis Carbon Lite for TSN and TSUK respectively, the propositions are based on an approach described as carbon 'insetting,' in which actual emissions reductions are third-party verified, banked and then offered to customers as a way of off-setting their own Scope 3 emissions of CO<sub>2</sub>. The CO<sub>2</sub> savings are real and are subject to verification by leading assurance organisation DNV. Revenues from the sale of certificates are used to fund



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projects generating further CO<sub>2</sub> savings to be verified by DNV, speeding up the Group's decarbonisation

### *Transparency & Disclosure*

The Group is committed to open communication of its carbon emissions and climate action. In 2022 it again provided a comprehensive disclosure as part of a consolidated Tata Steel Group annual submission to CDP (formerly Carbon Disclosure Project). Tata Steel attained a rating of A-, placing it firmly amongst the best performing of the steel companies reporting to CDP.

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

### *Life cycle assessment*

Life cycle assessment (LCA) is a powerful tool for identifying opportunities to reduce the environmental impact of a product – whether that is a building, a vehicle, a piece of machinery or packaging – throughout its life cycle. Tata Steel is widely recognised for its expertise in LCA. Taking a supply chain perspective allows it to demonstrate how improvements in material utilisation and right-first-time manufacturing can reduce emissions during the production phase. Tata Steel's LCA models allow it to consider the complete value chain, for instance, the impact of the carbon intensity of regional grid electricity (gCO<sub>2</sub> / kWh) on the carbon footprint of a vehicle or building.

In the automotive sector, light-weighting remains a key lever for reducing the CO<sub>2</sub> emissions of vehicles in their use-phase. LCA can be used to demonstrate how embodied CO<sub>2</sub> derived from the manufacture of advanced and ultra-high strength steel can be offset by downgauging parts to make them lighter. Savings in mass means CO<sub>2</sub> savings: less material is required to manufacture the vehicle and a lighter vehicle produces fewer emissions in use.

To extend its capability in this area, Tata Steel has developed the PACI (Product Assessment Carbon Indicator) tool. This streamlines the process of undertaking life cycle studies of products and enables an understanding of greenhouse gas (GHG) emission hot spots and trade-offs in the steel product value chain, which can be used to inform new product developments and optimise existing manufacturing routes.

PACI has been used to support collaborative projects with customers, for example, to examine the greenhouse gas emission impact of materials selection and part design, or the trade-off between motor efficiency versus embodied GHG emissions associated with different grades of electrical steels. The tool has recently been recognised by worldsteel, winning a Steelie award for Excellence in Life Cycle Assessment.

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

The Group was the world's first steel manufacturer to operate an Environmental Product Declaration (EPD) programme and can produce product-specific EPDs that comply with EN 15804 and ISO 14025 standards and which are third-party validated. An EPD contains a description of the manufacturing route and a technical description of the product. Along with quantified environmental information, it covers specific aspects of the product life cycle, from raw material extraction, manufacture, and fabrication through to use and end-of-life. In 2022, the Group produced its 100th EPD for construction sector customers.

### *Environment*

#### *Environmental Policy*

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

#### *Year in Focus*

Public concern and interventions by public health bodies, environmental regulators and lawyers representing members of the public continued during the year in relation to the Group's activities at IJmuiden. Foundation Mobilisation for the Earth requested that the Provincial authority withdraw Tata Steel's environmental permit based on impacts relating to biodiversity (the impact of nitrogen deposition on local habitats) and other emissions. The Province is still considering its response. In separate developments, the Dutch prosecutor announced a criminal investigation based on a prior indictment by a private law firm representing local residents and the National Institute for the Environment and Public

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Health (RIVM) published a report from which sections of the media found cause to criticise Tata Steel. A series of expert sessions was established between Tata Steel and RIVM, the first of these being held in February 2022.

Discussions remain ongoing with the relevant regulatory bodies regarding an application for a permit for enhancements at the hot rolling mill at IJmuiden. Capital investments are due to be completed by Summer 2023, with resultant reductions in emissions of CO<sub>2</sub> and nitrogen oxides (NO<sub>x</sub>) and enhanced product quality.

The program to further improve the environmental performance of the IJmuiden site (Roadmap plus) is progressing according to plan. With this programme, TSN set concrete goals for 2022 and 2023, combined with maximum transparency of the improvements to be achieved. Great progress has already been achieved, especially in reducing emissions of polycyclic aromatic hydrocarbons (PAH) and odour. During various projects, new ideas and insights have been added to the program.

During 2022/23, a number of local media outlets reported about levels of hexavalent chromium (Cr6+) compounds in ground water in the surrounding area. In response to this, Tata Steel contracted an independent engineering bureau to carry out an investigation which concluded that there was no risk to the surrounding. The GGD (Municipal Health Service) informed concerned residents in the surrounding areas that there was no risks to the health of the residents. Tata Steel IJmuiden continues to actively have a dialogue with the surrounding communities in several different forms.

In the UK, Tata Steel continues to pursue targeted investment in environmental control technology to achieve reductions in its impact. In June 2021, it commissioned a new emissions control unit at the Port Talbot sinter plant after an investment of more than £20 million in new filtration systems. In calendar year 2022, it emitted almost 25% less particulate matter to the atmosphere from its activities at Port Talbot than in 2021, this improvement largely driven by the sinter plant emission reduction scheme. The Group continues to deploy a wide range of measures to ensure that it doesn't have an adverse impact on local air quality in Port Talbot.

### *Energy and carbon emissions reporting*

#### *SECR*

In April 2019, the UK Government introduced legislation called Streamlined Energy and Carbon Reporting (SECR), which mandates that defined companies include energy and carbon

emissions in their annual reports. In addition, a narrative on the principal measures taken for the purpose of increasing the business's energy efficiency is required. Both parts of the required information are provided below. No equivalent information to that required for SECR compliance in the UK has been provided for the integrated steelworks at IJmuiden in The Netherlands.

#### *Energy Efficiency of Tata Steel's Activities*

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

A key process optimisation tool involved using a so-called energy efficiency 'wave' approach which systematically targeted energy efficiency opportunities at the Group's main operations around Europe and beyond. The Group has also developed MONICA, a state-of-the-art monitoring and benchmarking tool for energy and CO<sub>2</sub> emissions from its processes.

TSUK 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.

A number of improvement and optimisation projects have been implemented recently which will save a significant amount of CO<sub>2</sub> emissions in upstream iron and steelmaking through various improvement and optimisation projects. These include improvements to the operation and efficiency of the blast furnace stoves and optimised blast furnace performance through the introduction of "Topscan" technology, enhanced gas utilisation at the basic oxygen steelmaking plant and furnace atmosphere measurement & control at Port Talbot hot strip mill.

Improvement activities are also active in TSUK's down-stream facilities and, while reducing CO<sub>2</sub> emissions is the primary focus, even where renewable energy is used, energy optimisation remains a priority. An example of this is the implementation of LED lighting across the Shotton site where all electricity is from renewable sources.

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

In the Netherlands, a number of energy saving obligations have come into effect, in particular, (i) Informatieplicht (Energy Saving Obligation), under which companies with consumption over 50,000 kWh/annum of electricity or 25,000 m<sup>3</sup>/annum of natural gas are required to report the executed energy saving measures to the competent authority every four years, (ii) Onderzoeksplicht (Energy Saving Investigation Obligation): under which organisations with consumption over 10,000,000 kWh/annum of electricity or 170,000 m<sup>3</sup>/annum of natural gas are required to investigate potential energy saving measures, with the investigation focusing mainly on manufacturing processes, and, (iii) an obligation arising from the EU's Energy Efficiency Directive (EED) to perform an energy efficiency audit according to a prescribed process.

TSN has implemented a number of substantial projects to improve its energy efficiency over the past year, including: (i) the installation of High Turbulence Roll Cooling, which enables improved cooling but at lower water pressure, yielding an annual energy saving of 75,000 GJ of electricity use and, (ii) the installation of dry rolls in the tunnel furnace, yielding an annual natural gas saving of approximately 28,000 GJ.

At both of its steelworks, the Group is keen to investigate options to increase the amount of steel scrap it recycles

alongside the fresh iron it makes in its blast furnaces. In IJmuiden it has investigated a scheme to retain as much heat as possible in liquid iron as it is transported from the blast furnaces to the steel plant, enabling it to increase the amount of scrap uses. Options are currently being evaluated for using more scrap at Port Talbot including a collaborative project with EMR (European Metal recycling), Darlow Lloyd and Swansea University, called RECTIFI. Supported by grant funding from UK Research and Innovation as part of the Transforming Foundation Industries Challenge, this will involve investment of over £10 million to create an innovative new supply chain for high-grade recycled steel and sustainable alternative raw materials for cement production.

This collaboration aims to build a brand-new circular supply chain, developing high-quality grades of recycled steel and also developing sustainable mineral-rich alternatives for cement production utilising materials and mineral fractions that are separated during the steel recycling process. In addition to enhancing circularity, RECTIFI has the potential to avoid almost 5 million tonnes of CO<sub>2</sub> equivalent from entering the earth's atmosphere each year.

### Management Systems

The importance has been recognised of taking an holistic approach to energy management and as such a number of our sites are working towards accreditation of ISO50001, the international energy management standard with the site in Shotton, North Wales already having achieved this.

### GHG emissions and energy use 2022/23

	Scope	Units	UK <sup>1</sup>
Gaseous fuel for combustion <sup>3</sup>	1	kWh	8,499,295,663
Fuel for transport and business travel <sup>2</sup>	1	kWh	22,097,922
Purchased electricity <sup>3</sup>	2	kWh	694,455,490
Fuel for transport and business travel <sup>2</sup>	3	kWh	19,648,221
<b>Energy consumption based on above</b>		<b>kWh</b>	<b>9,235,497,296</b>
Emissions from gaseous fuel <sup>3</sup>	1	tCO <sub>2</sub> e	5,025,848
Emissions from fuel for transport and business travel <sup>2</sup>	1	tCO <sub>2</sub> e	5,829
Emissions from purchased electricity <sup>3</sup>	2	tCO <sub>2</sub> e	125,435
Emissions from fuel for transport and business travel <sup>2</sup>	3	tCO <sub>2</sub> e	5,190
<b>Total gross emissions</b>		<b>tCO<sub>2</sub>e</b>	<b>5,162,302</b>
<b>Total gross emission per tonne of liquid steel</b>		<b>tCO<sub>2</sub>e/tls</b>	<b>1.708</b>

## A4. Business Review

### GHG emissions and energy use 2021/22

	Scope	Units	UK <sup>1</sup>
Gaseous fuel for combustion <sup>3</sup>	1	kWh	9,358,335,065
Fuel for transport and business travel <sup>2</sup>	1	kWh	17,463,147
Purchased electricity <sup>3</sup>	2	kWh	827,321,158
Fuel for transport and business travel <sup>2</sup>	3	kWh	19,609,987
<b>Energy consumption based on above</b>		<b>kWh</b>	<b>10,222,729,357</b>
Emissions from gaseous fuel <sup>3</sup>	1	tCO <sub>2</sub> e	5,604,695
Emissions from fuel for transport and business travel <sup>2</sup>	1	tCO <sub>2</sub> e	4,655
Emissions from purchased electricity <sup>3</sup>	2	tCO <sub>2</sub> e	173,870
Emissions from fuel for transport and business travel <sup>2</sup>	3	tCO <sub>2</sub> e	5,334
<b>Total gross emissions</b>		<b>tCO<sub>2</sub>e</b>	<b>5,788,554</b>
<b>Total gross emission per tonne of liquid steel</b>		<b>tCO<sub>2</sub>e/tls</b>	<b>1.655</b>

#### Notes

1. The data for UK assets is based on the scope of the organisation as covered in the Financial Accounts 22/23; the derogation to exclude legal subsidiaries that did not meet the definition of "large" was applied. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the UK Emission Trading System (UK ETS). Where available, site specific conversion factors were used and where not, national government factors were used. The financial control approach (as opposed to equity split) was used to define the organisational boundaries; deductions were made for onward third party supplies. Greenhouse gas emissions are reported as CO<sub>2</sub>e except for the combustion of works arising gases (WAGs), these only include CO<sub>2</sub> emissions.
2. Scope 1 was defined to include on-site vehicular re-fuelling and mileage/ fuel claims relating to fuel used in company-owned or leased (capitalised on balance sheet as per IFRS 16) vehicles, both on and off-site. Scope 3 was defined to include fuel consumption of time-chartered vessels plus mileage claims and fuel claims relating to fuel used in employee-owned vehicles off-site. Where clarity on the lease status was unavailable, the fuel was divided evenly between scopes 1 and 3. Conversion to energy and CO<sub>2</sub> was based on factors provided by UK government. If unknown, vehicle type and fuel consumption per km, were based on national averages.
3. Only imported electricity was reported, that is, electricity generated on-site was not included; the associated emissions were included in the gaseous fuel emissions. The grid emission factor taken for the UK was 0.193 kg CO<sub>2</sub>e/kWh except for Shotton site where 100% of the electricity consumed was certified as renewable, therefore an EF of 0kg CO<sub>2</sub>e/kWh has been used.
4. Part of the data was subject to 3rd party verification conforming to UK ETS rules and regulations. This covered the period April-December 2022 only and included 82.2% of the UK natural gas consumption and 100% of the consumption of WAGs at Port Talbot.

## A4. Business Review

### Research & development

#### *Research & Technology programme*

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

In the MLE business, approximately 78% of the technology programme was developed under the governance of the Research Portfolio Committees ('RPCs') of TSN. The RPCs cover process and product market sector developments. The remaining capacity was primarily allocated to the Strategic programme for various projects including:

- Hisarna technology: environmentally friendly, low CO<sub>2</sub> and economic ironmaking (at least 20% reduction without Carbon Capture and Storage (CCS), up to 80% with CCS or even negative with renewable carbon sources). Engineering for upscaling (1mt per year demo plant) commenced in 2021/22 and continued in 2022/23, in close collaboration with a dedicated team in Jamshedpur, India. The Reclamet project (using Hisarna for recycling Zinc-coated steel scrap) awaits restart of the plant trials in the pilot plant. It is planned that the Hisarna pilot plant will restart during the financial year 2023/24;
- Heat recovery: looking at various ways to recover and re-use heat that is currently lost during the production processes, working closely with the environmental department at IJmuiden. During the financial year, a winning bid was secured for a large European programme on ceramics, also related to the use of ceramics in H<sub>2</sub> environments;
- 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;
- Extensive work on dust characterisation, including collecting regular dust samples to determine dust generated by TSN and dust generated from other sources. This work helps to understand the impact of dust on the local area, will continue into the next financial year and will be expanded with advanced flowfield calculations including local weather data; and
- Market development: looking to new developments like Hyperloop, Einstein telescope, battery cases and new steel concepts with higher strength and formability.

The "Data Driven Steel" programme is incorporated in the Thrust portfolio. This programme links the Advanced Analytics expertise in the Technical and Data Insights departments, and develops data-intense through-process solutions.

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

In the UK, R&D has worked on products and product solutions targeting the market facing sectors – automotive, construction and packaging. Two themes – Sustainability and Digitalisation – lie at the core of all the developments. Achievements in each of these areas include:

- Continuous engagement with automotive customers (Nissan and JLR) through VAVE and EVI programs, helping TSUK to strengthen the position of new grades of its steel products in comparison to competitive products e.g. Aluminium. In particular, the following models – JLR's Range Rover Velar, Nissan's Qashqai, Juke and Leaf range of models have been analysed for steel competitive light weighting solutions;
- Looking into new bio-based or inorganic insulation materials as well as recycling options for existing PIR (Polyisocyanurate) based composite panels. Similarly, sustainable plastisol carbon products are being developed that can reduce the carbon emissions by one third. Curing technologies such as ultra-violet and electron beam curing are also being explored instead of traditional technologies. Innovative curing techniques will allow for 33% of carbon emission reduction;
- Developing new structural concepts for Offshore Wind Mills potentially offering light weighting as well as lower embedded carbon benefits;
- Projects aiming to develop a Sustainable Composite Steel Frame using ComFlor Deck and Celsius Tube, in response to the changes in the construction industry (decarbonisation, circular economy, modern methods of construction, de-risking, shift towards solutions, etc.); and
- The UK Research & Innovation (UKRI) Council funds projects that can demonstrate models and prototypes at

## A4. Business Review

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a pre-commercial stage. Withing this framework, TSUK has been successful in applying and winning grants to work on future ready materials and technologies. The notable ones being novel coating technologies enabling “wet on wet” paint coating of steel strips, new steel grades for next generation of electric vehicles and bi-steel electric motor core.

### *Process development*

The process technology programme in 2022/23 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 2022/23 were:

- Introduction of a new run out table cooling control (STORM), a major step and part of the investment in the Hot Strip Mill (HSM) to expand its capacity. The system is in operation, with some improvements in the phase transformation modelling ongoing;
- Introduction of High Turbulence roll cooling in HSM2 to allow cooling at significantly lower energy consumption;
- Ongoing support for the implementation of Caster 23; and
- Efficient support to the cokes batteries to avoid environmental fines and the potential threats of closure.

### *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, engineering, construction and packaging sectors.

In TSN, during 2022/23 a total of 8 new products were introduced into the Group’s product portfolio. These included:

- Formable grades for packaging;
- Expansion of the range for Serica FLOTM; and
- Engineer grades (e.g line pipe but also Hyperloop).

In the UK, 12 new products were launched during the year, which exceeded the annual target. These launches cover a wide range of high value products and end applications for automotive, engineering, renewables and construction markets for both the UK and export opportunities. Some key launches have been in the construction market for example, the launch of new off-site manufactured construction solutions with Catnic Matrix and Trimawall Fast-Fit, which enable quicker, safer and standardised onsite construction. In the renewables sector the new Magizinc® for Solar S450 product was launched with a 25

year guarantee and, for export, Hot Rolled Dry specifications were certified to ASTM standards to enable these products to be used across the NAFTA region.

## A5. Financial Review

£m	2022/23	2021/22
Liquid steel production (mt)	9.3	10.1
Steel deliveries (mt)	8.2	9.0
Revenue	9,293	8,876
<b>EBITDA</b>	<b>484</b>	<b>1,209</b>
Depreciation and amortisation (net of grants)	(236)	(231)
<b>Operating profit before restructuring, impairment and disposals</b>	<b>228</b>	<b>978</b>
Restructuring, impairment and disposals	15	(50)
<b>Operating profit</b>	<b>243</b>	<b>928</b>
Net finance costs	(119)	(145)
Share of post-tax results of joint ventures and associates	2	13
<b>Profit before taxation</b>	<b>126</b>	<b>796</b>
Taxation (charge)/credit	(470)	86
<b>(Loss)/profit after taxation</b>	<b>(344)</b>	<b>882</b>

### Profit and loss

Group revenue of £9,293m in 2022/23 was 5% higher than the previous year due to a 16% increase in average revenue per tonne, partly offset by a 10% decrease in deliveries. This improvement in average revenue per tonne, is attributable to the high selling prices experienced at the beginning of the current financial year. However, in the second half of the current financial year the European steel market has seen reducing prices which has tempered the overall increase. The decrease in deliveries during the year has been driven by lower demand from customers in the second half, alongside a reduction in liquid steel production following some operational issues in both the UK and Netherlands sites.

The operating result before restructuring, impairment and disposals in 2022/23 was a profit of £228m compared to a profit of £978m in 2021/22. The decrease in profitability is primarily due to the weakening of the European steel market during the second half of the current financial year, which has seen a reduction in customer demand due to the general economic conditions alongside decreasing selling prices and continued high energy and raw material costs which have reduced margins. Restructuring, impairment and disposals was a profit of £15m in 2022/23, compared to a charge of £50m in 2021/22, due primarily to the current year containing a reversal of impairment on deferred consideration of £10m, relating to the divestment of the Speciality business in 2017.

Net finance cost in 2022/23 was £119m, £26m lower than 2021/22. This is primarily due to lower debt levels across the year.

Taxation was a net charge of £470m in 2022/23 compared to a net credit of £86m in 2021/22. The current year includes a charge of £352m due which was recognised in the income statement to offset a net deferred tax credit in other comprehensive income relating to BPS actuarial losses; a charge of £38m due to a decrease in UK tax losses recognised for deferred tax purposes following cash flow hedge reserve movements; a deferred tax charge of £55m in the Dutch fiscal unity following the utilisation of tax losses and other tax credits and a further current tax charge of £8m in relation to the Netherlands. The prior year includes a £135m deferred tax credit in relation to increased deferred tax assets recognised following higher profitability projections in several tax jurisdictions and a £52m charge due to a reduction in deferred tax assets in the Netherlands following utilisation of brought forward tax losses against current year taxable profits.

The loss after tax in 2022/23 was £344m compared to a profit after tax in 2021/22 of £882m due to a lower operating result and an increased tax charge, slightly offset by lower finance costs and a profit on restructuring, impairments and disposals.

### Financing

The single largest element of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in October 2022.

The SFA is secured against the assets and shares of Tata Steel UK Limited and the shares of Tata Steel Netherlands Holdings BV(TSNH). The SFA contains covenants for cash flow to debt service and debt to tangible net worth calculated at the level of Tata Steel Limited in India. During 2022/23 prior to refinancing the old SFA facility TSE made an early repayment of €168m in October 2022. Following this early

## A5. Financial Review

repayment and the subsequent refinancing, the SFA at 31 March 2023 comprises of a €302m bullet term loan repayable in February 2026.

In May 2022 TSE repaid a £50m short term facility with an external bank.

In May 2022, TSE entered into a new £150m three year committed working capital facility with an external bank. During the year £100m of this facility was utilised and as of 31 March 2023, £50m remains undrawn.

TSUK has previously entered into a revolving credit facility with a syndicate of lenders with a limit of £200m. As of 31 March 2023, the facility is fully drawn (2022: £50m remained undrawn).

In January 2023, TSE entered into a new £100m, 3 year committed facility with an external bank. Of which it has drawn down £50m. As at 31 March 2023, £50m remains undrawn.

In January 2023, TSE entered into a new £100m, 1 year uncommitted facility with an external bank. As at 31 March 2023, the full amount remains undrawn.

TSN refinanced its revolving credit facility during October 2022 with the maximum limit increasing from €150m to €200m. This facility was undrawn as at 31 March 2023.

Tata Steel IJmuiden BV ('TSIJ') and certain other subsidiaries of TSN continue to have access to a trade receivables securitisation arrangement. Under the uncommitted arrangement, an external bank has agreed to purchase all eligible receivables from these entities up to a programme maximum amount of €600m on a non-recourse basis.

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

### *Acquisitions and Disposals*

On 1 April 2022 TSE completed the sale of its subsidiary, Tata Steel France Bâtiment et Systèmes SAS ('TSFBS'). As at 31 March 2022, the TSFBS disposal group was classified as held for sale, prior to its subsequent disposal in the current year. For further details, please see note 33.

On 29 July 2022, the Group completed the sale of its wholly owned subsidiary Harbornvein 60 AS ('Harbornvein'). Harbornvein is a wholly owned subsidiary of the Group, by

virtue of British Steel Nederland International B.V. and Tata Steel IJmuiden B.V. (both of which are Group companies) owning 50% of the issued share capital in Harbornvein. Harbornvein is an SPV which was newly created in the year to facilitate the sale of land and buildings at the former Norsk Stal Tynnplatter AS site in Norway.

Further details of TSE's disposal of subsidiaries can be found in note 33 of the accounts.

Across the wider Tata Steel Group there is a continuing focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce complexity, aid in transparency and improve corporate governance. During the current year TSE completed the dissolution of 29 subsidiaries (all in UK and Ireland). As at 31 March 2023 there were 9 non-trading subsidiaries in voluntary liquidation (7 UK and Ireland, 2 rest of world) and it is anticipated these will enter into dissolution within 2023/24.

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

### *Cash flow*

Net cash flow from operating activities in 2022/23 was an inflow of £465m (2021/22: £349m). This is primarily due to inflows in relation to working capital as falling sales prices see reducing receivable balances more than offsetting the decreased profitability, a net cash outflow of £67m (2021/22: £77m) in relation to interest and £32m (2021/22: £11m) in relation to overseas taxation.

The working capital to turnover ratio (excluding the impact of arrangements with TSL Group companies) decreased to 14.4% in 2022/23 from 15.4% in 2021/22. This is largely due to a decrease in trade receivables following a reduction in market prices.

Net cash flow used in investing activities was an outflow of £395m (2021/22: £268m) due mainly to property, plant and equipment capital expenditure of £429m (2021/22: £290m).

There was a net cash inflow of £91m from financing activities (2021/22: inflow of £403m) mainly due to proceeds from a drawdown of the UK RCF, the new TSE working capital facility agreement and the new TSE RCF. The net increase in cash and cash equivalents in 2022/23 was £161m (2021/22: £484m).



## A5. Financial Review

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### *Capital expenditure*

Capital expenditure on property, plant and equipment in 2022/23 at £429m (2021/22: £290m) included spend on a number of major capital projects in both the Netherlands and the UK.

In the Netherlands this included, within the IJmuiden site, significant capital expenditure on the Blast Furnace 6 rebuild programme. Alongside this, investments to support the Roadmap plus programme are ongoing. This programme is speeding up the road to a better living environment through extra measures and investments. This will significantly reduce the nuisance caused by dust, noise, odour and light in the coming years.

The main projects within the UK in 2022/23 included, within Port Talbot, work to extend the life of the Coke Ovens and Blast furnace stoves along with crane replacements. At Corby work progressed on the transformation programme to consolidate the operation onto a smaller site, with investment in a cold form mill. The new mill will roll steel into tubes which can be used in construction and various engineering applications from farm machinery to bridges and heavy goods vehicles. The work is expected to be completed by the end of 2023. At Hartlepool an investment in a new slitter was approved with work ongoing into the next financial year. The new slitting line will enable the tubes site to process coils of steel delivered from Port Talbot.

### *Balance sheet*

TSE's consolidated net assets at 31 March 2023 were £3,089m (31 March 2022: £4,585m).

The decrease of £1,496m was due to the loss after taxation of £344m (2021/22: profit of £882m) caused mainly by the weakening European steel market and higher raw materials and energy costs, and other comprehensive loss of £1,152m (2021/22: income of £91m) caused mainly by actuarial losses on the BSPS retirement benefit asset – further details on pensions and post-retirement benefits can be found in Note 21.

Net debt at 31 March 2023 amounted to £1,379m (31 March 2022: £1,317m). Of the net debt, approximately 94% (31 March 2022: 82%) was owed to Tata Steel group companies. Cash and short term deposits at 31 March 2023 amounted to £828m (31 March 2022: £643m). Further details on borrowings can be found in Note 19.

### *Financial risk management*

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

## A6. Section 172, Companies Act 2006

### *Section 172, Companies Act 2006*

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

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

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

Governance responsibilities in relation to audit matters are delegated to a Board committee which supports the Board in carrying out its duties. This committee comprises non-executive directors to provide appropriate external perspective and challenge. The Audit Committee provides governance and oversight for financial and other key assurance matters.

The Board and Audit Committee promote high standards of corporate governance throughout the organisation and hold regular scheduled meetings to consider matters relevant to

the Group. Six Board meetings were held during the year ended 31 March 2023, with additional Committee meetings held as required. In FY23 the Board and Audit Committee continued to meet electronically via Microsoft Teams and further decisions were made by circulation where appropriate. Any new directors inducted into the Company are made aware of their directors' duties, including section 172(1) of the Companies Act, 2006. Induction materials are regularly refreshed and made available to all TSE directors via a Board Portal. No new directors were appointed during the financial year.

A long-established framework of policies are separately deployed in the constituent businesses of the Group. These include delegated authority levels applicable to senior management roles across the organisation. These delegated authority levels also identified certain financial and commercial decisions reserved to the TSL Boards. The Board typically reviews in advance any matter reserved from the constituent businesses for the attention of the TSL Board. The Board is conscious of the impact business decisions have on stakeholders as well as the wider impact on society. The Board recognises that given the complexity of the Group's operations not all decisions taken in its businesses will align with all stakeholder interests. Accordingly, in its role of assuring financial reporting and management of the its constituent businesses, the Board has supported decisions in the year that it believes best support the strategic objectives of its businesses.

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

The Board approved the FY23 Annual Plan for the Group and monitored its implementation throughout the year through regular review of operational and financial performance. The Board also took into account external factors, including the steel industry outlook and global and economic market conditions. For the year ended 31 March 2023, the Board has continued to consider and respond to the impact of global and market developments, including the effect on performance of trade and market conditions resulting from the invasion of Ukraine and energy price inflation.

Consistent with its role as a holding company for separate businesses, the Board has monitored the progress and development of key operational and sustainability issues in its constituent businesses and provided guidance in relation to the factors necessary to support long-term financial stability and sustainable value growth.

## A6. Section 172, Companies Act 2006

The Board is mindful of the Group's decarbonisation objectives and provides guidance and direction to its constituent businesses where relevant.

In order to optimise and maintain financing available to the Group, the Board approved new working capital and finance facilities during the year. The Board has also addressed equity restructurings and recapitalisations where required during the financial year.

### (b) the interests of the company's employees

Disclosures in relation to the Group's employees are set out in this Strategic Report and in the Corporate Governance statement on page 31 of the TSE Annual Report. Primary responsibility for considering the interests of employees rests with the constituent businesses in their operating geographies but the Board has nevertheless had regard to the interests of the Group's employees during the period and supported engagement with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver each Value Chain's strategic objectives and prioritises the health, safety and wellbeing of its workforce. The Board has regularly reviewed key metrics relating to the safety of Group operations and the well-being of Group employees. The Board also recognises that the Group's pensioner community remain important stakeholders and has actively supported steps to reduce risk in relation to certain pension schemes during the year.

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.

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

The boards of the principal operating companies in the Group have oversight over many stakeholder relationships and have regard to these relationships in their decision making. In reviewing the performance of its operating subsidiaries, the Board has sought to understand and engage with matters affecting the interests of stakeholders, whether in relation to the management of spend with suppliers or in relation to the future sustainable operations of its plants. The Board has taken regular updates on matters of political relevance to the Group in its principal geographies and also sought to provide

a forum for engagement between the Group's shareholder and its operational decision-making.

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

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

The Board is aware of the impact of steel manufacturing on the environment and the communities in which the Group operates and reviews environmental performance against the goals of the Group. A key ambition is that the Group should be carbon neutral by 2045 and the Company's UK and MLE Businesses continue to explore strategic technological solutions to achieve its objectives. In September 2021, TSN announced its intention to pursue a hydrogen steel making route and will continue its engagement with stakeholders in FY23 to further develop this route. More details of TSE's decarbonisation objective can be found in the Strategic Report on page 14 of the TSE Annual Report.

As a major employer, companies in the Group act as a cornerstone customer for local businesses. In addition, the Group contains a business which supports the economic regeneration of communities affected by changes in the steel industry. Companies in the Group also support a number of popular community events including Kids of Steel, which is one of the world's longest running triathlon series for kids and the Tata Steel Chess Tournament in the Netherlands. Companies in the Group have also intensified their efforts to support diversity and equity with training and employee interactions centred on events such as International Women's Day.

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

The Board is committed to maintaining the reputation of the Company and high standards of business conduct in all its business dealings. The five Tata values are set out in the Corporate Governance statement on page 31. In addition, the Tata Code of Conduct, which is a series of principles supporting the Tata values and ethical conduct, applies to all Tata branded companies.

The Group expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. The Board and Audit Committee reviews

## A6. Section 172, Companies Act 2006

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control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. The Group has adopted a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. The Group also requires senior management and relevant employees to undertake mandatory compliance training and assessments.

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

Following its acquisition by Tata Steel in 2007, Corus Group Plc reregistered as a private company and in 2010 rebranded as Tata Steel Europe. The Company is indirectly wholly owned by TSL, a listed company in India. Further details of ownership are set out on pages 44 and 87 of TSE's Annual Report.

Further details of group companies are also set out on page 87 of TSE's Annual Report.

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

## A7. Approval of Strategic Report

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

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

  
K Chatterjee  
Director  
19 June 2023

## B. Directors' Report

### *Directors' report for the year ended 31 March 2023*

The directors present their report and the audited consolidated financial statements of the Group and Company for the year ended 31 March 2023.

### *The Board*

The directors of the Company who served throughout the period from 1 April 2022 to the date of this report (unless otherwise stated) were as follows:

T V Narendran (Chairman)  
H Adam  
O P Bhatt (non-executive)  
K Chatterjee

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

### *Directors' indemnity*

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

### *Dividends*

The directors do not recommend that a dividend be paid, and no dividends were paid or proposed during the year (2021/22: nil).

### *Political donations*

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

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

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

- a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) the directors have taken all the relevant steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information

and to establish that the Company's auditors are aware of that information.

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

### *Independent Auditors*

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

### *Going concern*

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

The TSE Group is made up of two businesses one centred on the UK but also including manufacturing assets in Sweden and Norway as well as certain international sales offices (together 'the UK Business') and the other centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business').

In previous years, as part of the wider TSL group, the Group's UK Business has benefited from significant financial support from its parent companies in order to settle historic financial indebtedness and to invest in working capital. This support included equity proceeds of £1,366m in 2021/22 and support in arranging bank finance facilities which the UK Business either has direct access to or indirect access via other TSL group companies.

The directors have considered a number of possible scenarios for the financial position of both the UK Business and the MLE Business, including the impact of a 10% decrease to steel margins than has been assumed in the Group's Annual Plan ("the base case") and the mitigating actions the Group could take to limit any adverse consequences to liquidity. The steel industry is cyclical and TSE starts 2023/24 at the bottom of the industry cycle with challenging market conditions which are forecast to result in lower profitability at the beginning of the year.

## B. Directors' Report

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The MLE Business ended the 2022/23 financial year with a significant positive cash balance and unutilised financing facilities of €200m which, along with specific actions being taken to improve business performance, is expected to ensure that the MLE Business can manage this period of downturn and is well placed for 2023/24. Under all scenarios, including a severe but plausible downside scenario, the MLE Business has access to adequate liquidity over the next 12 months.

The UK Business ended the 2022/23 financial year with a positive cash balance and unutilised financing facilities of £220m which, along with specific actions being taken to improve business performance, is expected to ensure that the UK Business can manage this period of downturn and is well placed to respond through efforts towards optimising its production and delivery volumes in 2023/24 and with expected improvements in market conditions in the latter half of the year.

However, the financing facilities which the UK Business has access to are not all committed facilities and the Revolving Credit Facility ('RCF') of the UK Business is due to expire in June 2024. As such, under the base case scenario, the UK Business will, as a minimum, require additional forms of financial support to refinance or repay these facilities. In the event of a severe but plausible downside scenario the UK Business will also need further financial support in order to address any adverse impact on liquidity from March 2024 onwards. As the Company is an integral part of the TSL Group, a non-binding letter of support has been provided by T S Global Holdings Pte Ltd ('TSGH'), a subsidiary of TSL, which confirms that TSGH will support the refinancing, or the repayment, of the RCF and a separate uncommitted bank facility of the Company which the Company has made available to the UK Business. Furthermore, a non-binding letter of support has been provided by T S Global Procurement ('Proco'), a subsidiary of TSL, which provides the Company with access to £300m of working capital support if required. The Company also has direct exposure to the UK Business in the forms of loans and other receivables.

The UK Business is currently engaged in constructive discussions regarding long term financial support from the UK government to assist it in meeting the long term financial challenges of decarbonising its steel production facilities. Decarbonisation is central to the long term strategy of the UK Business which has set out its ambition to be carbon neutral by 2045. However, the technological shift required to enable

the transition to carbon neutral steel will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. Carbon Border Adjustment Mechanism), and other government legislation. Similar to all steel companies operating in Europe, the UK Business is expected to require significant financial assistance from the national government to support the additional investments and restructuring costs, in order to ensure it can transition to a greener way of producing steel. The UK Business will also require support in terms of energy infrastructure and long-term energy pricing. Whilst the directors are monitoring the progress of the constructive discussions in relation to additional financial support there is a risk that were such support not to be available, then the UK Business would be forced to look at alternative strategies for the business. However, given that talks with the UK government are progressing, the directors do not currently foresee any changes to the decarbonisation strategy of the UK Business in the near future.

Under all scenarios, the directors of the Company and the directors of the UK Business believe that the UK Business has access to adequate liquidity given the support undertakings provided by Proco and TSGH as described above and a reasonable prospect of securing government support to enable the execution of its decarbonisation strategy. However, the cyclical nature of the steel industry means that the financial projections of the UK Business, and the effect on the liquidity of the UK Business, are difficult to predict with a high level of certainty.

For these reasons, while the directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty with respect to the UK Business in relation to underlying market and business conditions given the challenging situation at the start of 2023/24, the possibility that the required government support for the decarbonisation strategy of the UK Business may not be adequate, and the non-binding nature of the support letters provided by Proco and TSGH. Such factors may cast significant doubt on the Company's and the UK Business', and therefore the 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

## B. Directors' Report

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the adjustments required if the Company or the UK Business or the Group were unable to continue as a going concern.

### *Corporate Governance Statement*

For the year ended 31 March 2023, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) as the appropriate framework for its corporate governance arrangements. These have been applied taking account of the fact that the Company no longer sets the strategic direction of its subsidiaries but concentrates on oversight and assurance of the consolidated financial result of its Group.

### *Principle 1 – Purpose and Leadership*

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

The TSL Group's vision has been to strive to be the global steel industry benchmark for value creation and corporate citizenship with a mission to build the leading European steel business that is sustainable in every sense which: delivers value to its shareholder; partners with customers and suppliers to innovate, produce and deliver steel products and services in a responsible way; and empowers its people and engages with its communities. The UK and MLE Businesses continue to partner with their suppliers and customers to innovate and deliver steel products in a more sustainable way and source raw materials under their responsible Procurement Policies. The Group continues to be an innovator of carbon neutral steelmaking within its Value Chains with each investing in decarbonisation programmes demonstrating the Group's commitment to the way sustainable steel is produced and delivered. These programmes have included the development and launch to the market of steel products certified to have been produced with reduced CO<sub>2</sub> intensity.

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

- Pioneering - be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.
- Responsibility - be responsible and responsive to the countries, communities and environments in which the company works, always ensuring that what comes from the people goes back to the people many times over.
- Excellence - constantly strive to achieve the highest possible standards in day-to-day work and in the quality of the goods and services the company provides.
- Unity - work cohesively with colleagues across the Group and with customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

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

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

### *Principle 2 – Board Composition*

The TSE Board comprises four directors. The balance of skills, backgrounds, experience and knowledge for the sectors in which the TSE Group operates, remains appropriate in the context of the reshaped organisation and its governance arrangements. The TSE Board has a Chairman but there is not a Chief Executive Officer responsible for a single business. None of the four directors hold executive management positions in the UK or MLE Businesses but bring experience in audit and industry matters as well as independent challenge. Three of the directors are members of the board of the ultimate parent company, TSL, two directors are also senior executive managers in TSL and one of those directors (the Chief Executive Officer of TSL) is also



## B. Directors' Report

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Chairperson of the Supervisory Board of TSN. Three are also directors of TSE's main operating company in the UK, TSUK, including the TSUK Chairperson. The size and structure of the Board is appropriate for the Company.

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

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

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

### *Principle 3 – Directors responsibilities*

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

To support the TSE Board in carrying out its duties, there is an established Audit Committee with a terms of reference.

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

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

The separate Value Chains each apply a policy framework which set out expected behaviours, accountability and delegated management authority levels applicable to each business. The work of the audit and assurance function in

each business includes reporting to the Audit Committee on matters concerning compliance with these policies.

### *Principle 4 – Opportunity and Risk*

Since October 2021, the business improvement programmes of TSE's main operating subsidiaries in the UK and the Netherlands have been under the supervision of the UK and TSN boards respectively. Decarbonisation continues to be a key risk and opportunity for the TSE Group and is kept under regular review by the Board and those of the UK and MLE Businesses. The TSE Board has also regularly considered other risks and opportunities for Group businesses during the year, including the impacts on the business of cost increases and market effects following the invasion of Ukraine in February 2022.

The principal risks and uncertainties affecting the TSE Group and mitigating actions taken in respect of them are set out in the Strategic Report on page 3. Since 1 October 2021, the principal activity of the Company has become that of a holding company for the TSE Group of companies and to provide financial governance and oversight for the Group.

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

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

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

## B. Directors' Report

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On a quarterly basis, the risk management teams within the Value Chains discuss approach and deployment of risk management principles and share their learnings.

Each of the UK and MLE Businesses operate processes within which they review legal compliance and asset protection matters on a quarterly basis. There is a regular joint meeting between the two Value Chains to discuss matters of common interest between the respective businesses. Reports are submitted as required to the respective boards and provided to the TSE Audit Committee on a six-monthly basis.

### *Principle 5 – Remuneration*

The separate businesses within the Group have a reward philosophy that would enable them each to attract, retain and motivate the people they need to deliver their objectives, are competitive in relevant markets, linked to the achievement of corporate objectives and follow the principles of being simple, objective and fair. Following Separation, supervision of these matters is carried on within each business.

The remuneration of directors of the Company, including the independent non-executive member of the Board, is a matter for the TSE Chairman and for the parent company, TSL.

The Company's principal operating subsidiary in the UK, TSUK, has published its Gender Pay Gap Report for 2022, 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 Board recognises the importance of effective communication with the stakeholders of its UK and MLE Businesses in order to deliver the purpose, values, vision, mission and strategy of those businesses and ensure protection of Tata Steel's relationships, reputation and brand. Board and Audit Committee meetings are regularly attended by senior members of each of the UK and MLE Businesses to consider and report on these matters. The Group's stakeholders include its shareholders and the customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which its businesses operate.

The Board continues to monitor regularly the health, safety and wellbeing of employees, contractors and other partners of the Group, although primary management and responsibility for these matters sits with the TSUK and TSN Boards in

relation to their businesses. Each business continues to adopt a health & safety framework which includes zero harm campaigns, leadership safety tours, and the deployment of five key personal health and safety commitments. Through the PeopleLink system, the businesses continue to offer online learning and development courses accessible by employees, including mental health modules as well as other health, safety and wellbeing training.

During the year, businesses in the Group deployed a number of strategies for employee engagement, including enabling employees to receive performance updates and ask questions directly to their senior leaders. Communications and Human Resources teams in each of the UK and MLE Businesses review their strategies, as appropriate, to ensure employees and senior managers remain informed as to the Value Chain performance, health and safety matters and any other matter requiring employee engagement.

The Board includes directors of the parent company, TSL. The Company and each of the businesses in the Group is required to report to its ultimate shareholder on a number of matters in order to support the TSL Group's overall corporate governance requirements.

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

The Group encourages its suppliers to work with it to create value to its end customers, society and shareholders. The Group has adopted a Responsible Procurement Policy which underpins its commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to the businesses in the Group and their respective entire supply chains. Further information can be found on the TSE website.

Delivering an excellent customer experience is a key strategic priority for the Group's business model and is centred around direct engagement with customers aligned to market sectors and allows for continuous feedback. The Group's businesses review and evaluate performance through Voice of the Customer listening activities which includes regular Customer Satisfaction surveys and feedback.

As a leading steel producer, the constituent businesses of the Group are dedicated to managing their operations responsibly, sustainably and with continuous improvement to create businesses which are sustainable in the long term. The

## B. Directors' Report

Group has set out its ambition to reduce CO2 emissions by 30% by 2030 with aims to be carbon neutral by 2045 by partnering with other industries, developing breakthrough technologies and investing in new infrastructure.

The Group is committed to its businesses working in partnership with their local communities to support their social and economic wellbeing. The constituent businesses of the Group invest in a range of sustainable initiatives that bring benefits to large groups within local communities.

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

A review of the performance, processes and practices of businesses in the Group is periodically carried out as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set of criteria. Leadership is a key category of the assessment model and the assessors review the operation of governance in the Group. The TBEM process enhances value for all stakeholders and contributes to market place success, maximises enterprise-wide effectiveness and capabilities and delivers organisational and personal learning.

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

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

Statement of engagement with employees

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

*Post balance sheet events*

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction which will be recognised as an actuarial loss will be determined in due course. Following this transaction the scheme has now insured all of its liabilities.

*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 9);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 11);
- Details on how the Group engages with its employees (see page 33);
- Streamlined Energy & Carbon Reporting emissions information (see page 18);
- Research & development activities (see page 20); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 24)

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



K Chatterjee

Director

19 June 2023

## C. Directors Responsibilities Statement

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The directors are responsible for preparing the Report and Accounts 2023 in accordance with applicable law and regulation.

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

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

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

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

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


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

Directors' confirmations

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

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

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

  
K Chatterjee  
Director  
19 June 2023

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

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- Tata Steel Europe Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2023 (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 March 2023; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Parent Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; the Presentation of accounts and accounting policies; and the notes to the financial statements.

#### Basis for opinion

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

#### Independence

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

### 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. Tata Steel Europe Limited, via its UK business, has received a letter of support from T S Global Holdings Pte Ltd to either refinance or repay its Revolving Credit Facility and uncommitted facilities due to expire on or before June 2024. TS Global Procurement Pte Ltd has also provided a letter of support to the UK business for access to £300m of additional working capital. However, the letters of support received are non-binding. Accordingly, there can be no certainty that the funds required by Tata Steel Europe Limited will 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 evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Verifying the integrity and mathematical accuracy of management's model as well as agreeing underlying cash flow projections to management approved forecasts.
- Assessing management's historic forecasting accuracy by obtaining management information for the financial performance year to date.
- Evaluating and challenging the reasonableness of the key assumptions in management's model, and agreeing the data and assumptions to supporting third party information, where available.
- Evaluating and assessing the severe but plausible downside scenarios modelled.

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

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- Reviewing and challenging the basis of preparation disclosure presented by the directors in the financial statements.

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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, employment legislation, and climate-related regulations such as the Environmental Protection Act 1990 and the Pollution Prevent

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

and Control Act 1999, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation, the Companies Act 2006 in the United Kingdom and the Industry Carbon Tax Act (Wst Co2-hefing industrie) in the Netherlands. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and potential management bias in accounting estimates in order to manipulate financial results and overstate profits. Audit procedures performed by the engagement team included:

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

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

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

### *Use of this report*

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


### **Other required reporting**

#### *Companies Act 2006 exception reporting*

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

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

We have no exceptions to report arising from this responsibility.



Stuart Couch (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
19 June 2023

## E1. Consolidated income statement

For the financial year ended 31 March			
	Note	2023 £m	2022 £m
Revenue	1	9,293	8,876
Operating costs	2	(9,050)	(7,948)
Operating profit		243	928
Finance costs	5	(133)	(192)
Finance income	5	14	47
Share of post-tax results of joint ventures and associates	10 (iv)	2	13
Profit before taxation		126	796
Taxation	6	(470)	86
<b>(Loss)/profit after taxation</b>		<b>(344)</b>	<b>882</b>
Attributable to:			
Owners of the Company		(344)	882
Non-controlling interests		-	-

All references to 2023 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 37 refer to the financial period ended 31 March 2023 or as at 31 March 2023 as appropriate (2022: the financial period ended 31 March 2022 or as at 31 March 2022).

Notes and related statements forming part of these accounts appear on pages 53 to 90.



## E2. Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2023 £m	2022 £m
<b>(Loss)/profit after taxation</b>		<b>(344)</b>	<b>882</b>
<b>Items that will not be reclassified subsequently to the income statement:</b>			
Actuarial (losses)/gains on defined benefit pension and other post-retirement plans	21	(1,396)	49
Income tax credit/(charge) relating to items that will not be reclassified	6	349	(12)
<b>Items that may be reclassified subsequently to the income statement:</b>			
(Losses)/gains arising on cash flow hedges	24	(228)	77
Income tax credit/(charge) relating to items that may be reclassified	6	54	(16)
Foreign exchange on currency net investments		69	(7)
<b>Other comprehensive (loss)/income for the year net of tax</b>		<b>(1,152)</b>	<b>91</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,496)</b>	<b>973</b>
Attributable to:			
Owners of the Company		(1,496)	973
Non-controlling interests		-	-

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

Notes and related statements forming part of these accounts appear on pages 53 to 90.

### E3. Consolidated and Parent Company balance sheets

As at 31 March		Group		Company	
		2023	2022	2023	2022
	Note	£m	£m	£m	£m
<b>Non-current assets</b>					
Goodwill	7	405	405	-	-
Other intangible assets	8	85	85	-	-
Property, plant and equipment	9	2,974	2,562	-	-
Equity accounted investments	10	38	45	-	-
Investments in subsidiary undertakings	10	-	-	5,374	5,273
Other investments	11	13	13	-	-
Long term receivables	12	2	2	-	-
Retirement benefit assets	21	687	2,050	-	-
Deferred tax assets	13	222	260	-	-
		<b>4,426</b>	<b>5,422</b>	<b>5,374</b>	<b>5,273</b>
<b>Current assets</b>					
Inventories	14	2,481	2,273	-	-
Trade and other receivables	15	608	1,064	37	33
Current tax assets	16	11	5	-	-
Cash and short-term deposits	17	828	643	-	-
		<b>3,928</b>	<b>3,985</b>	<b>37</b>	<b>33</b>
Assets held for sale	18	-	24	-	-
<b>TOTAL ASSETS</b>		<b>8,354</b>	<b>9,431</b>	<b>5,411</b>	<b>5,306</b>
<b>Current liabilities</b>					
External borrowings	19	(402)	(249)	(149)	(50)
Trade and other payables	20	(2,501)	(2,285)	(40)	(33)
Current tax liabilities	16	(10)	(15)	-	-
Retirement benefit obligations	21	(1)	(1)	-	-
Short-term provisions and other liabilities	22	(180)	(166)	-	-
		<b>(3,084)</b>	<b>(2,716)</b>	<b>(189)</b>	<b>(83)</b>
<b>Non-current liabilities</b>					
Inter-group borrowings	19	(1,301)	(1,083)	(1)	-
External borrowings	19	(504)	(628)	-	-
Retirement benefit obligations	21	(70)	(89)	-	-
Provisions and other liabilities	22	(185)	(189)	-	-
Other non-current liabilities	23	(58)	(71)	-	-
Deferred income	25	(3)	(4)	-	-
Deferred tax liability	13	(50)	(47)	-	-
		<b>(2,171)</b>	<b>(2,111)</b>	<b>(1)</b>	<b>-</b>
Liabilities held for sale	18	-	(19)	-	-
<b>TOTAL LIABILITIES</b>		<b>(5,265)</b>	<b>(4,846)</b>	<b>(190)</b>	<b>(83)</b>
<b>NET ASSETS</b>		<b>3,089</b>	<b>4,585</b>	<b>5,221</b>	<b>5,223</b>
<b>Equity</b>					
Called up share capital	26	10,222	10,222	10,222	10,222
Accumulated deficit		(7,326)	(5,935)	(5,001)	(4,999)
Other components of equity		192	297	-	-
Equity attributable to owners of the Company		<b>3,088</b>	<b>4,584</b>	<b>5,221</b>	<b>5,223</b>
Non-controlling interests		1	1	-	-
<b>TOTAL EQUITY</b>		<b>3,089</b>	<b>4,585</b>	<b>5,221</b>	<b>5,223</b>

The Company recorded a loss of £2m (2022: gain of £41m) 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 39 to 43 were approved and authorised for issue by the Board and signed on its behalf by:



K Chatterjee  
Director  
19 June 2023  
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	Other reserve £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance as at 1 April 2021</b>	8,822	(6,854)	8	233	2	2,211	1	2,212
Profit for the financial year	-	882	-	-	-	882	-	882
Other comprehensive (loss)/income for the financial year	-	37	61	(7)	-	91	-	91
Total comprehensive (loss)/income for the financial year	-	919	61	(7)	-	973	-	973
Issue of ordinary shares (Note 26)	1,400	-	-	-	-	1,400	-	1,400
<b>Balance as at 31 March 2022</b>	10,222	(5,935)	69	226	2	4,584	1	4,585
Loss for the financial year	-	(344)	-	-	-	(344)	-	(344)
Other comprehensive (loss)/income for the financial year	-	(1,047)	(174)	69	-	(1,152)	-	(1,152)
Total comprehensive (loss)/income for the financial year	-	(1,391)	(174)	69	-	(1,496)	-	(1,496)
<b>Balance as at 31 March 2023</b>	10,222	(7,326)	(105)	295	2	3,088	1	3,089

### Company:

	Share capital £m	Accumulated deficit £m	Total equity £m
<b>Balance as at 1 April 2022</b>	8,822	(5,040)	3,782
Profit for the financial year	-	41	41
Issue of ordinary shares (Note 26)	1,400	-	1,400
<b>Balance as at 31 March 2022</b>	10,222	(4,999)	5,223
Loss for the financial year	-	(2)	(2)
<b>Balance as at 31 March 2023</b>	10,222	(5,001)	5,221

Notes and related statements forming part of these accounts appear on pages 53 to 90.

## E5. Consolidated statement of cash flows

For the financial year ended 31 March			
	Note	2023 £m	2022 £m
<b>Operating activities</b>			
Cash generated from operations	30	566	438
Interest paid		(52)	(62)
Interest element of lease rental payments		(15)	(15)
UK corporation tax		(2)	(1)
Overseas taxation		(32)	(11)
<b>Net cash flow generated from operating activities</b>		<b>465</b>	<b>349</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(429)	(290)
Sale of property, plant and equipment		8	11
Purchase of other intangible assets		(8)	(4)
Sale of equity instruments		-	6
Proceeds from sale of group subsidiaries	33	12	-
Deferred proceeds on prior sale of subsidiary		5	2
Dividends from joint ventures and associates	10	11	1
Dividends received from investments		1	1
Principal receipts under sublet leases		-	3
Interest received		5	2
<b>Net cash flow used in investing activities</b>		<b>(395)</b>	<b>(268)</b>
<b>Financing activities</b>			
New loans (including drawdowns of revolving credit facility)		346	1,862
Repayment of borrowings (including repayments of revolving credit facility)		(200)	(1,406)
Capital element of lease rental payments		(55)	(53)
<b>Net cash flow generated from financing activities</b>		<b>91</b>	<b>403</b>
Increase in cash and cash equivalents	32	161	484
Cash and cash equivalents at beginning of period	32	643	161
Effect of foreign exchange rate changes	32	24	(2)
<b>Cash and cash equivalents at end of period</b>	<b>32</b>	<b>828</b>	<b>643</b>
Cash and cash equivalents consist of:			
Cash and short-term deposits	17	828	643
		<b>828</b>	<b>643</b>

Notes and related statements forming part of these accounts appear on pages 53 to 90.

## 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 2023 comprise the Company and its subsidiaries and the Group's interest in its joint ventures and associated undertakings.

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. TSE transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021.

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

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

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

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company's financial statements, in accordance with FRS 101: IFRS 7, 'Financial instruments: Disclosures'; IFRS 13, 'Fair value measurement' - paragraphs 91 to 99; IAS 1, 'Presentation of financial statements' - paragraphs 10(d), 38A, 38B-D, 111 and 134-136; IAS 7, 'Statement of cash flows'; IAS 36, 'Impairment of assets' - paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e); IAS 8, 'Accounting policies, changes in accounting estimates and errors' - paragraphs 30 and 31; and requirements in IAS 24 to disclose related party transactions.

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 TSE Group is made up of two businesses one centred on the UK but also including manufacturing assets in Sweden and Norway as well as certain international sales offices (together 'the UK Business') and the other centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business').

In previous years, as part of the wider TSL group, the Group's UK Business has benefited from significant financial support from its parent companies in order to settle historic financial indebtedness and to invest in working capital. This support

included equity proceeds of £1,366m in 2021/22 and support in arranging bank finance facilities which the UK Business either has direct access to or indirect access via other TSL group companies.

The directors have considered a number of possible scenarios for the financial position of both the UK Business and the MLE Business, including the impact of a 10% decrease to steel margins than has been assumed in the Group's Annual Plan ("the base case") and the mitigating actions the Group could take to limit any adverse consequences to liquidity. The steel industry is cyclical and TSE starts 2023/24 at the bottom of the industry cycle with challenging market conditions which are forecast to result in lower profitability at the beginning of the year.

The MLE Business ended the 2022/23 financial year with a significant positive cash balance and unutilised financing facilities of €200m which, along with specific actions being taken to improve business performance, is expected to ensure that the MLE Business can manage this period of downturn and is well placed for 2023/24. Under all scenarios, including a severe but plausible downside scenario, the MLE Business has access to adequate liquidity over the next 12 months.

The UK Business ended the 2022/23 financial year with a positive cash balance and unutilised financing facilities of £220m which, along with specific actions being taken to improve business performance, is expected to ensure that the UK Business can manage this period of downturn and is well placed to respond through efforts towards optimising its production and delivery volumes in 2023/24 and with expected improvements in market conditions in the latter half of the year.

However, the financing facilities which the UK Business has access to are not all committed facilities and the Revolving Credit Facility ('RCF') of the UK Business is due to expire in June 2024. As such, under the base case scenario, the UK Business will, as a minimum, require additional forms of financial support to refinance or repay these facilities. In the event of a severe but plausible downside scenario the UK Business will also need further financial support in order to address any adverse impact on liquidity from March 2024 onwards. As the Company is an integral part of the TSL Group, a non-binding letter of support has been provided by T S Global Holdings Pte Ltd ('TSGH'), a subsidiary of TSL, which confirms that TSGH will support the refinancing, or the repayment, of the RCF and a separate uncommitted bank facility of the Company which the Company has made available to the UK Business. Furthermore, a non-binding letter of support has been provided by T S Global Procurement ('Proco'), a subsidiary of TSL, which provides the Company with access to £300m of working capital support if required. The Company also has direct exposure to the UK Business in the forms of loans and other receivables.

The UK Business is currently engaged in constructive discussions regarding long term financial support from the UK government to assist it in meeting the long term financial challenges of decarbonising its steel production facilities. Decarbonisation is central to the long term strategy of the UK Business which has set out its ambition to be carbon neutral by 2045. However, the technological shift required to enable the transition to carbon neutral steel will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. Carbon Border Adjustment Mechanism), and other government legislation. Similar to all steel companies operating in Europe, the UK Business is expected to require significant financial assistance from the national government to support the additional investments and

## E6. Presentation of accounts and accounting policies

restructuring costs, in order to ensure it can transition to a greener way of producing steel. The UK Business will also require support in terms of energy infrastructure and long-term energy pricing. Whilst the directors are monitoring the progress of the constructive discussions in relation to additional financial support there is a risk that were such support not to be available, then the UK Business would be forced to look at alternative strategies for the business. However, given that talks with the UK government are progressing, the directors do not currently foresee any changes to the decarbonisation strategy of the UK Business in the near future.

Under all scenarios, the directors of the Company and the directors of the UK Business believe that the UK Business has access to adequate liquidity given the support undertakings provided by Proco and TSGH as described above and a reasonable prospect of securing government support to enable the execution of its decarbonisation strategy. However, the cyclical nature of the steel industry means that the financial projections of the UK Business, and the effect on the liquidity of the UK Business, are difficult to predict with a high level of certainty.

For these reasons, while the directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty with respect to the UK Business in relation to underlying market and business conditions given the challenging situation at the start of 2023/24, the possibility that the required government support for the decarbonisation strategy of the UK Business may not be adequate, and the non-binding nature of the support letters provided by Proco and TSGH. Such factors may cast significant doubt on the Company's and the UK Business', and therefore the 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 the UK Business or the 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 2022.

### II New Standards and interpretations applied

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

	Effective Date*
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021 1 April 2021
IAS 37 (Amendments)	Onerous Contracts—Cost of Fulfilling a Contract 1 Jan 2022
IAS 16 (Amendments)	Proceeds before Intended Use 1 Jan 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework 1 Jan 2022
IFRS 1, IFRS 9 Illustrative Example 13 of IFRS 16 and IAS 41 (Amendments)	Annual Improvements to IFRS Standards 2018–2020 1 Jan 2022**

\* periods commencing on or after

\*\* except for the amendment to IFRS 16 for which no effective date is stated as it regards only an illustrative example

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

### III New Standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following Standards, which are relevant to the Group's reporting but have either not been applied as they have not been adopted for use under UK-adopted international accounting standards in the year ended 31 March 2023, or have an effective date after the date of these financial statements:

	Effective Date*
IFRS 17	Insurance Contracts 1 Jan 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction 1 Jan 2023
IAS 1 (Amendments)	Disclosure of Accounting Policies 1 Jan 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current 1 Jan 2024
IAS 8 (Amendments)	Definition of Accounting Estimates 1 Jan 2023
IAS 1 (Amendments)	Presentation of financial statements on Non-current liabilities with covenants 1 Jan 2024
IFRS 16 (Amendments)	Lease liability in a sale and leaseback 1 Jan 2024

\* periods commencing on or after

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

## E6. Presentation of accounts and accounting policies

recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the Group's accounting policies*

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

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

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

Following the formal separation of TSE into a UK and MLE value chain on 1 October 2021, the definition of some specific CGUs in TSE used for the impairment testing of PPE and goodwill was updated. The definition of the Groups CGU's in the current year is consistent with those used in the prior year following changes made in light of the formal separation.

### *Key sources of estimation uncertainty*

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

#### 1) Impairment of non-current assets

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

#### 2) Recognition of deferred tax assets

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

#### 3) Post-retirement benefits

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

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

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

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

## V Critical accounting policies

### *(a) Property, plant and equipment*

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

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

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

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

## E6. Presentation of accounts and accounting policies

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

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

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the

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

### (c) Taxation

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

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

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

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

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

### (d) Retirement benefit costs

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

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



## E6. Presentation of accounts and accounting policies

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 2023 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

## E6. Presentation of accounts and accounting policies

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

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

### *(d) Revenue*

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

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

The steel is sometimes sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts.

Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are normally made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

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

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

### *(e) Government grants*

Grants related to expenditure on property, plant and equipment are credited to the income statement over the useful lives of qualifying assets. Grants related to revenue are

credited to the income statement in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to income statement at the end of the reporting period are included in the balance sheet as deferred income.

### *(f) Insurance*

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

### *(g) Financing items*

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

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

### *(h) Foreign currencies*

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

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

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

## E6. Presentation of accounts and accounting policies

### *(i) Financial instruments*

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

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

#### *(i) Financial assets*

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Where the Group transfers substantially all the risks and rewards of ownership of a financial asset, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities. This includes arrangements where the Group securitises trade receivables on a non-recourse basis.

#### *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

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

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

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

#### *(ii) Impairment of financial assets*

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

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

lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

#### *(iii) Financial liabilities*

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

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

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

#### *(iv) Derivative financial instruments and hedge accounting*

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

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

## E6. Presentation of accounts and accounting policies

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 a current asset, where these are intended to settle a current liability, and values the asset at cost. No amortisation is recognised, provided that the Group intends to utilise the asset to settle emission rights liabilities.

### (k) Leases

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

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

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

Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension options, if the Group is

## E6. Presentation of accounts and accounting policies

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reasonable certain to exercise the option. Lease liabilities are classified as part of borrowings.

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

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

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

### *(l) Joint ventures, joint operations and associates*

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

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

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

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

### *(m) Inventories*

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is generally determined using the weighted average cost method. Inventories of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been

incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

### *(n) Cash and cash equivalents*

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

### *(o) Cash flow statement*

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

## E7. Notes to the financial statements

### 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 Board of Directors in order to evaluate the financial performance of the Group.

	2023 £m	2022 £m
<b>Revenue by destination:</b>		
UK	1,949	2,013
The Netherlands	850	848
Europe excluding UK and The Netherlands	5,056	4,801
North America	1,097	856
Rest of the world	341	358
	<b>9,293</b>	<b>8,876</b>

#### 2. Operating costs

	2023 £m	2022 £m
<b>Costs by type:</b>		
Raw materials and consumables	4,753	4,301
Maintenance costs (excluding own labour)	761	635
Other external charges (including fuels & utilities, hire charges and carriage costs)	1,503	1,233
Employment costs (Note 4)	1,385	1,445
Depreciation, amortisation and impairments (Notes 8 and 9)	237	247
Grants relating to property, plant and equipment released (Note 25)	(1)	(1)
Other operating items (including rents, rates, insurance and general expenses)	623	611
Changes in inventory of finished goods and work in progress	(140)	(498)
Own work capitalised	(52)	(34)
Profit on disposal of property, plant and equipment	(2)	(8)
(Profit)/loss on disposal of group undertakings (Note 33)	(17)	8
Loss on impairment of asset held for sale (Note 18)	-	9
	<b>9,050</b>	<b>7,948</b>

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals (i) £m	Total £m
<b>The above cost in 2023 include:</b>			
Raw materials and consumables	4,753	-	4,753
Maintenance costs (excluding own labour)	761	-	761
Other external charges (including fuels & utilities, hire charges and carriage costs)	1,503	-	1,503
Employment costs (Note 4)	1,382	3	1,385
Depreciation, amortisation and impairments (Notes 8 and 9)	237	-	237
Grants relating to property, plant and equipment released (Note 25)	(1)	-	(1)
Other operating items (including rents, rates, insurance and general expenses)	622	1	623
Changes in inventory of finished goods and work in progress	(140)	-	(140)
Own work capitalised	(52)	-	(52)
Profit on disposal of property, plant and equipment	-	(2)	(2)
Profit on disposal of group undertakings (Note 33)	-	(17)	(17)
	<b>9,065</b>	<b>(15)</b>	<b>9,050</b>

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

## E7. Notes to the financial statements

	2023	2022
	£m	£m
<b>The above costs are stated after including:</b>		
Amortisation of other intangible assets (Note 8)	10	11
Depreciation of owned assets (Note 9)	183	170
Depreciation of assets held under leases	44	49
Impairment losses relate to other intangible assets (Note 8)	-	1
Impairment losses related to property, plant and equipment (Note 9)	9	12
Reversal of impairment losses related to property, plant and equipment (Note 9)	(9)	-
Impairment losses related to spares (Note 9)	-	2
Net exchange rate gains	(14)	11
Expenses relating to low value leases	3	1
Expenses relating to variable lease payments not included in lease liabilities	100	75
Income from subleasing	-	(2)
Costs of research and development (gross)	65	51
Recoveries on research and development	(18)	(3)
Profit on release of grants (Note 25)	(1)	(1)
Charge on provision for emissions rights deficit	132	162
Impairments against trade receivables (Note 15 (ii))	-	2

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

	2023	2022
	£m	£m
Fees payable to the Group's auditors and their associates for the audit of the Group	2.0	2.0
Audit-related assurance services	0.5	0.5
Total non-audit fees	0.5	0.5
Total Group auditors' remuneration	2.5	2.5

Fees payable in respect of the audit of the Company were £10,000 (2022: £10,000). Fees payable for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees payable in respect of audit-related assurance services of £0.5m (2022: £0.5m) primarily relate to quarterly reviews undertaken by the Group's auditors.

### 3. Net restructuring and impairment costs

	2023	2022
	£m	£m
<b>Provision for restructuring and related measures:</b>		
Redundancy and related costs	4	23
Pension restructuring costs (Note 21)	-	3
Impairment losses related to property, plant and equipment (Note 9)	9	13
Impairment losses related to spares (Note 9)	-	1
Impairment losses related to intangible fixed assets (Note 8)	-	1
Other rationalisation costs	2	-
	15	41
<b>Credits for restructuring and related measures:</b>		
Other rationalisation costs	(1)	-
Reversal of impairment losses related to property, plant and equipment (Note 9)	(9)	-
Redundancy and related costs	(1)	-
	(11)	-
<b>Total net restructuring and impairment costs</b>	<b>4</b>	<b>41</b>

The provision for net redundancy and related costs of £3m (2022: £23m) related to restructuring measures across a number of units within the Group

## E7. Notes to the financial statements

### 4. Employees

	2023	2022
	£m	£m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	1,131	1,176
Social security costs	157	141
Pension costs (Note 21)	94	103
Pension restructuring costs (Note 21)	-	3
Redundancy and related costs (Note 2)	3	22
	1,385	1,445

(i) The average number of employees during the year for continuing operations was 20,300 (2022: 20,100). This total includes UK Business staff of 8,200 (2022: 8,200) and MLE Business staff of 12,100 (2022: 11,900).

#### (ii) Directors' remuneration

	2023	2022
	£m	£m
The total employment costs of the directors in the Group were:		
Short term employee benefits	1.6	1.6
Other long term benefits	0.2	1.1
Compensation for loss of office	-	1.2

There are no retirement benefits accruing to any directors under defined benefit schemes (2022: 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.

#### (iii) Highest paid director

	2023	2022
	£m	£m
Total amount of emoluments:		
Short term employee benefits	1.6	0.9
Other long term benefits	0.2	0.7

There is no accrued lump sum falling due under a defined benefit pension scheme (2022: nil).

(v) The Company has no employees. No director received any remuneration during the year in respect of their services to the Company (2022: nil).



## E7. Notes to the financial statements

### 5. Financing items

	2023 £m	2022 £m
Interest expense:		
Bank and other borrowings	44	57
Accelerated amortisation of interest costs due to prepayment of SFA (i)	7	72
Interest on leases	15	15
Interest on loans from immediate parent company (Note 34)	40	23
Interest on loans from other Group companies (Note 34)	-	18
Discount on disposal of trade receivables within purchase agreement with external companies	27	7
<b>Finance costs</b>	<b>133</b>	<b>192</b>
Interest income:		
Cash and short-term deposits and short-term investments	(6)	(2)
Unwind of effective interest on deferred proceeds	-	(1)
Other interest income	-	(4)
Gain from investments	(1)	(4)
Gain on debt modification (i)	(7)	-
Gain on waiver of interest	-	(36)
<b>Finance income</b>	<b>(14)</b>	<b>(47)</b>
	<b>119</b>	<b>145</b>

(i) During the year TSE made an early repayment against the Senior Facilities Agreement ('SFA') of €168m in October 2022. As a result of this prepayment TSE has recognised an accelerated interest cost of £7m. Following this prepayment also in October 2022 TSE refinanced the Group's SFA and as a result of this debt modification has recognised a gain of £7m. For full details see Note 19.

### 6. Taxation

	2023 £m	2022 £m
UK current year charge	2	1
Overseas current year charge	17	21
UK prior year charge/(credit)	1	(3)
Overseas prior year charge	2	2
<b>Current tax charge</b>	<b>22</b>	<b>21</b>
UK deferred tax	393	(123)
Overseas deferred tax	55	16
<b>Total tax charge/(credit)</b>	<b>470</b>	<b>(86)</b>

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

	2023 £m	2022 £m
Profit before taxation	126	796
Profit multiplied by the applicable corporation tax rate of 37.91% (2022: 24.24%)	48	193
Effects of:		
Re-measurement of deferred tax balances arising from changes in tax rates	91	(29)
Adjustments to current tax in respect of prior periods	3	(1)
Adjustments to deferred tax in respect of prior periods	(3)	(1)
Utilisation of tax losses and other tax credits not previously recognised	(12)	(124)
Previously unrecognised tax losses and other tax credits that are expected to be used in the future	(9)	(133)
De-recognition of previously recognised losses and other tax credits	305	-
Current year temporary differences (including losses) not expected to be utilised	53	12
Other permanent differences	(6)	(3)
<b>Total tax charge/(credit)</b>	<b>470</b>	<b>(86)</b>

## E7. Notes to the financial statements

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 relative profitability weightings and statutory tax rates in the various geographical areas.

Remeasurement of deferred tax balances arising from changes in tax rates of £91m represents the remeasurement of UK deferred tax assets following the enactment on 24 May 2021 of an increase in the UK corporate income tax rates, effective from 1 April 2023.

The prior year credit of £29m represents the remeasurement of Dutch deferred tax assets following the enactment on 21 December 2021 of an increase in the Dutch corporate income tax rates, effective from 1 January 2022, and the remeasurement of UK deferred tax assets following the enactment on 24 May 2021 of an increase in the UK corporate income tax rates, effective from 1 April 2023.

De-recognition of previously recognised losses and other tax credits of £305m primarily relates to the reduction in amounts recognised to offset the movement in the deferred tax liability associated with the BSPS pension scheme in the UK which is recognised through other comprehensive income.

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

	2023	2022
	£m	£m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	349	(12)
Revaluation of financial instruments treated as cash flow hedges	54	(16)
	403	(28)

### 7. Goodwill

As at 31 March	2023	2022
	£m	£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 against the recoverable amount of the Business Unit IJmuiden CGU. Business Unit IJmuiden is the CGU that contains the steelmaking facilities at IJmuiden and forms the major part of the TSN business. 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.

European countries including the Netherlands have legal requirements to reach net zero by 2050 and whilst these requirements may not place any obligation on TSE to contribute to those goals, the increased focus and clear direction from politicians and society means that TSE may face these legal obligations at some point in time. As such, decarbonisation is central to the long term strategy of TSE which has set out its ambitions to be carbon neutral by 2045.

In the previous year TSN announced that it aims to pursue the Direct Reduced Iron ('DRI') route for making iron using natural gas or hydrogen and is currently exploring the options for implementing this and how such investments could be financed. Irrespective of the choice of technology, TSE's MLE business still aims to be producing a combined c. 7mt of steel post decarbonisation, is not currently envisioning any changes to their downstream steel making capability, and aims to continue to serve the same markets by offering its customers the low carbon steel products they require. Further progress in the current year was made with TSN and the Dutch government signing an Expression of Principles in July 2022 to transition to low CO2 steel making, with an ambition to reduce CO2 emission by 5 million tonnes by 2030.

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

The recoverable amount of Business Unit IJmuiden CGU has been determined from a fair value less costs of disposal ('FV') calculation. This is due to the fact that TSN has clearly stated its plan to move away from the current production process and transition to decarbonised production via the use of hydrogen meaning that it is appropriate to consider a longer term horizon for the impairment test which is allowed under a FV model but is not permitted under a Value in Use ('VIU') model.

The FV calculation involves estimating future cash flows that TSE expects to derive from the CGU using the three-year Annual Plan for the period FY24-FY26 and, for the period FY27 onwards, assumptions on cash flows during, and after, the transition to the DRI route of production. The model includes assumptions with respect to capital expenditure regarding the amounts

## E7. Notes to the financial statements

necessary to pursue decarbonisation, as well as an assumption of government grants of 45%, in relation to the total capital expenditure required for decarbonisation. The cash flows are adjusted for business improvement initiatives and for the future expected benefits on account of the capital expenditure. For the model, a set of inflation assumptions is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until the terminal year at which point a 2.00% (2021-22: 1.80%) growth rate is used on future cashflows into perpetuity. The post-tax discount rate of 7.9% (March 31, 2022: 6.3%) is derived from TSE's weighted average cost of capital (WACC) and the WACCs of its main European steel competitors. The outcome of the Group's goodwill impairment as at March 31, 2023 for BU IJmuiden CGU resulted in no impairment of goodwill (2021-22: Nil).

Key assumptions for the FV model are expected changes to selling prices and raw material costs, EU steel demand, energy costs, exchange rates, the timing and availability of permits required to continue to operate existing assets, the ability to successfully deliver the business improvement initiatives identified in the Annual Plan, the amount of capital expenditure needed for decarbonisation, the changes to EBITDA resulting from producing and selling low CO2 steel, levels of government support for decarbonisation, phasing of decommissioning of legacy assets as well as the commissioning of new carbon free production facilities and a post-tax discount rate of 7.9%. In particular, whilst TSN has submitted a formal request to the Dutch government there is not yet any commitment or guarantee that support from the Dutch government would be forthcoming. Whilst the best view of the directors is that government support would be provided on a similar level to recent commitments seen by other national governments within Europe to the steel producers operating in those countries, if support from the Dutch government would not be forthcoming then there would be a material impact on the FV model.

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

The Group has conducted sensitivity analysis on the impairment test of the carrying value of the BU IJmuiden CGU (including both goodwill and property, plant and equipment). The directors believe that no reasonable possible change in any of the key assumptions used in the FV calculation would cause the carrying value of the goodwill to materially exceed its fair value less costs of disposal.

### 8. Other intangible assets

<b>Group:</b>					
<b>2023</b>	<b>Computer software(i)</b>	<b>Development costs</b>	<b>Patents and Trademark</b>	<b>Emission Rights</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cost as at 1 April 2022	337	30	1	-	368
Additions	8	-	-	-	8
Disposals	(5)	-	-	-	(5)
Exchange rate movements	4	1	-	-	5
Cost as at 31 March 2023	344	31	1	-	376
Amortisation as at 1 April 2022	252	30	1	-	283
Charge for the period	10	-	-	-	10
Disposal	(4)	-	-	-	(4)
Exchange rate movements	1	1	-	-	2
Amortisation as at 31 March 2023	259	31	1	-	291
Net book value as at 31 March 2023	85	-	-	-	85

## E7. Notes to the financial statements

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

The remaining amortisation period for computer software is approximately 4 years (2022: 4 years).

(i) Included within Computer Software net book value at 31 March 2023 is £37m (2022: £44m) of software costs under development.

### 9. Property, plant and equipment

<b>2023</b>	<b>Land and buildings £m</b>	<b>Plant and machinery £m</b>	<b>Loose plant and tools £m</b>	<b>Assets in course of construction £m</b>	<b>Total £m</b>
Cost or valuation as at 1 April 2022	921	4,410	252	673	6,256
Additions	10	58	47	417	532
Disposals	(9)	(179)	(39)	-	(227)
Disposal of group undertakings	(5)	-	-	-	(5)
Exchange rate movements	31	136	4	23	194
Reclassifications	(2)	9	-	1	8
Transfers	4	283	-	(287)	-
<b>Cost or valuation as at 31 March 2023</b>	<b>950</b>	<b>4,717</b>	<b>264</b>	<b>827</b>	<b>6,758</b>
Depreciation as at 1 April 2022	379	3,272	130	38	3,819
Charge for the period	30	171	26	-	227
Impairment losses recognised during the period	1	5	3	-	9
Reversal of impairment losses during the period	(5)	(3)	(1)	-	(9)
Disposals	(8)	(177)	(38)	-	(223)
Disposal of group undertakings	(3)	-	-	-	(3)
Exchange rate movements	16	96	2	-	114
Reclassifications	5	3	-	-	8
<b>Depreciation as at 31 March 2023</b>	<b>415</b>	<b>3,367</b>	<b>122</b>	<b>38</b>	<b>3,942</b>
<b>Net book value as at 31 March 2023</b>	<b>535</b>	<b>1,350</b>	<b>142</b>	<b>789</b>	<b>2,816</b>
Spares (net book value)					158
<b>Net book value as at 31 March 2023</b>					<b>2,974</b>

The additions to the right-of-use assets during the 2023 financial period were £55m (2022: £16m).

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

Consistent with the annual test for impairment of goodwill as at 31 March 2023 (Note 7), property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. During the previous financial year changes were made to the definition of CGU's. See the Critical Judgements in Applying the Group's Accounting Policies on page 46 for further information with regards to the definition of CGU's.

A FV model was used to test for impairment in the Business Unit IJmuiden CGU that covered both Goodwill and Property, Plant and Equipment. For full details and outcome see Note 8.

For all other CGU's, a value in use (VIU) calculation has been prepared to consider the recoverable amount and assess whether this exceeds the carrying value. This VIU calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, energy costs, exchange rates, and a pre-tax discount rate of 10.6% (2022: 8.4%) for the TSN value chain and 11.7% (2022: 9.3%) for the UK value chain. 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 outcome of this test indicated that, using a pre-tax discount rate of 10.6% (2022: 8.4%) for the TSN value chain and 11.7% (2022: 9.3%) for the UK value chain, none of CGUs in the TSE group had a recoverable amount which was lower than its carrying value. However, Tata Steel Maubeuge SAS CGU had a VIU significantly greater than its carrying value due to improved business performance and therefore a credit of £9m has been recognised during the year to reverse impairments charged against this CGU in previous financial years. An impairment charge of £1m was recognised against previously impaired CGU's for which expenditure is impaired as soon as incurred on those specific assets, as well as an additional charge of £8m in relation to specific assets in BU IJmuiden CGU.

In the prior year an impairment charge of £2m was recognised against the Tubes Netherlands CGU, with an additional impairment charge of £10m recognised against previously impaired CGU's for which expenditure is impaired as soon as incurred on those specific assets.

The Group has conducted sensitivity analysis on the impairment tests of the carrying value of the Group's CGUs and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the property, plant and equipment at the TSUK CGU.

The TSUK CGU had a carrying value at 31 March 2023 of £598m. An increase in the discount rate used for impairment testing of 1% would result in a decrease of £125m in the headroom of the value in use above the carrying value of the PPE which would result in an impairment charge of £78m being recognised in the PPE of the TSUK CGU. An 11% decrease to the hot rolled coil

## E7. Notes to the financial statements

gross margin spread assumption used in the third year of the Group's value in use forecast would result in a decrease of £662m in the headroom of the value in use above the carrying value of the PPE which would result in an impairment charge of £598m being recognised in the PPE of the TSUK 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	2023	2022
	£m	£m
The net book value of land and buildings comprises:		
Freehold	404	400
Long leasehold (over 50 years unexpired)	16	11
Short leasehold	115	131
	<b>535</b>	<b>542</b>
Right of use assets not subject to operating leases		
Cost	249	248
Accumulated depreciation	(118)	(106)
	<b>131</b>	<b>142</b>
Owned assets	<b>404</b>	<b>400</b>
	<b>535</b>	<b>542</b>
(ii)		
As at 31 March	2023	2022
	£m	£m
The net book value of plant and machinery comprises:		
Right of use assets not subject to operating leases:		
Cost	270	277
Accumulated depreciation and impairment losses	(122)	(145)
	<b>148</b>	<b>132</b>
Owned assets	<b>1,202</b>	<b>1,006</b>
	<b>1,350</b>	<b>1,138</b>
(iii)		
As at 31 March	2023	2022
	£m	£m
The net book value of spares comprises:		
Cost	585	543
Accumulated depreciation and impairment losses	(427)	(418)
	<b>158</b>	<b>125</b>

(iv) There was £nil (2022: £nil) borrowing costs capitalised in the period.

## E7. Notes to the financial statements

### 10. Equity accounted investments

#### Group:

As at 31 March	Interests in joint ventures £m	Investments in associates £m	2023 Total £m	2022 Total £m
<b>Cost</b>				
At beginning of period	9	10	19	19
Exchange rate movements	1	-	1	-
At end of period	10	10	20	19
<b>Post acquisition reserves</b>				
Share at beginning of period	16	10	26	15
Share of retained results in the period	(3)	(7)	(10)	13
Exchange rate movements	1	1	2	(2)
Share at end of period	14	4	18	26
<b>Net book value at end of period</b>	<b>24</b>	<b>14</b>	<b>38</b>	<b>45</b>
Net book value at beginning of period	25	20	45	34

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

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

As at 31 March	2023 £m	2022 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	24	24
Current assets	21	24
Current liabilities	(16)	(16)
Non-current liabilities	(5)	(7)
Group's share of net assets	24	25
Share of the revenue and expenses of the Group's joint ventures:		
Revenue	64	58
Expenses	(62)	(50)
Group's share of joint ventures' profit for the period after taxation	2	8
Dividends received	(5)	-
Group's share of retained results in the period	(3)	8

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

As at 31 March	2023 £m	2022 £m
Summarised balance sheet information:		
Total assets	79	110
Total liabilities	(33)	(47)
Net assets	46	63
Group's share of net assets	14	20
Summarised income statement information:		
Revenue	325	367
Profit for the period	2	13
Group's share of associate's profit for the period after taxation	-	5
Dividends received	(7)	-
Group's share of retained results in the period	(7)	5

## E7. Notes to the financial statements

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

	2023 £m	2022 £m
Group's share of joint ventures' profit for the period	2	8
Group's share of associates' profit for the period	-	5
Share of post-tax results of joint ventures and associates	2	13

### Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2022	11,431	50	11,481
Additions	-	150	150
Repayments	-	(50)	(50)
Reclassification following debt to equity conversion	1	-	1
Cost at 31 March 2023	11,432	150	11,582
Impairment as at 1 April 2022 and 31 March 2023	6,208	-	6,208
<b>Net book value at 31 March 2023</b>	<b>5,224</b>	<b>150</b>	<b>5,374</b>
Net book value at 31 March 2022	5,223	50	5,273

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

The carrying values of the Company's investments are tested annually for impairment using an enterprise value ('EV') calculation. For the UK Business, 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. For the MLE Business the calculation uses a fair values less costs to sell ('FV') method which involves estimating future cash flows that TSE expects to derive from the MLE Business using the three-year Annual Plan for the period FY24-FY26 and, for the period FY27 onwards, assumptions on cash flows during, and after, the transition to the DRI route of production. The model includes assumptions with respect to capital expenditure regarding the amounts necessary to pursue decarbonisation, as well as an assumption of government grants of 45%, in relation to the total capital expenditure required for decarbonisation. The cash flows are adjusted for business improvement initiatives and for the future expected benefits on account of the capital expenditure. For the model, a set of inflation assumptions is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until the terminal year at which point a 2.00% (2021-22: 1.80%) growth rate is used on future cashflows into perpetuity. Key assumptions for the value in use and FV calculations are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, a post-tax discount rate of 7.9% (2022: 6.3%) for the MLE Business, and a pre-tax discount rate of 11.7% (2022: 9.3%) for the UK Business. 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 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 2023 resulted in £nil impairment (2022: £nil) in the value of the Company's equity investment in Tulip UK Holdings No.2 Limited.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's investment in Tulip UK Holdings No. 2 Limited ('Tulip 2'). An 11% decrease to the hot rolled coil gross margin spread assumption used in the third year of the Group's value in use forecast for the UK Business and a 9% decrease to the hot rolled coil gross margin spread assumption used in the fourth year of the Group's fair value forecast for the MLE Business would result in a decrease of £2,528m in the EV which would result in an impairment of £1,802m being recognised in the Company's investment in Tulip 2.

### 11. Other investments

	Loans and receivables £m	Investments £m	2023 Total £m	2022 Total £m
Carrying value as at 1 April	7	6	13	18
Additions	4	1	5	6
Disposals	(5)	-	(5)	(11)
Carrying value as at 31 March	6	7	13	13

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



## E7. Notes to the financial statements

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

	2023			2022		
	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	6	5	11	4	4	8
Euros	2	-	2	5	-	5
	8	5	13	9	4	13
Disclosed as:						
Loans and receivables	6	-	6	7	-	7
Investments	2	5	7	2	4	6

	2023		2022	
	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	7.4	3.7	7.5	3.2

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

As at 31 March	2023 £m	2022 £m
Within one year	-	4
Between one and two years	1	1
Between two and five years	3	2
Greater than five years	3	1
No contractual maturity date	6	5
	13	13

### 12. Long term receivables

	2022 £m	2021 £m
Other debtors	2	2
	2	2

### 13. Deferred tax assets

	2023 £m	2022 £m
Deferred tax assets	222	260
Deferred tax liabilities	(50)	(47)
Net Deferred tax	172	213

## E7. Notes to the financial statements

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.

2023	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2022	199	423	(497)	2	68	27	(9)	213
(Charged)/credited to income statement	(22)	(371)	(14)	7	(58)	18	(8)	(448)
Exchange rate movements	(1)	3	-	1	1	-	-	4
Credit to other comprehensive income	-	-	349	-	-	-	54	403
<b>At 31 March 2023</b>	<b>176</b>	<b>55</b>	<b>(162)</b>	<b>10</b>	<b>11</b>	<b>45</b>	<b>37</b>	<b>172</b>
2022	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2021	148	269	(370)	2	53	39	(6)	135
Credited/(charged) to income statement	51	154	(115)	-	15	(12)	14	107
Exchange rate movements	-	-	-	-	-	-	(1)	(1)
Charged to other comprehensive income	-	-	(12)	-	-	-	(16)	(28)
<b>At 31 March 2022</b>	<b>199</b>	<b>423</b>	<b>(497)</b>	<b>2</b>	<b>68</b>	<b>27</b>	<b>(9)</b>	<b>213</b>

Deferred tax assets of £222m (2022: £260m) have been recognised at 31 March 2023. 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 deemed probable there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. This includes, in the UK, the recognition of a deferred tax assets of £102m (2022: £104m). When determining the level of taxable profits expected to be earned in future periods for this entity, board approved forecasts have been used to cover the next three years with forecasts for years subsequent to this being based on the same forecasts as used in the value in use models for PPE impairment testing but with the application of an increasing "uncertainty factor" to reflect the fact that profits may not be probable the further into the future the forecast extends. The Group has performed sensitivity analysis on the calculation for the UK deferred tax asset which shows that increasing the "uncertainty factor" by 5% would have resulted in a lower deferred tax asset of £88m (2022: £86m) and decreasing the "uncertainty factor" by 5% would have resulted in a higher deferred tax asset of £130m (2022: £125m).

Deferred tax assets have not been recognised in respect of total tax losses of £4,821m (2022: £3,210m). These losses comprise UK losses of £4,563m (2022: £2,920m) and non-UK losses of £258m (2022: £290m). All unrecognised losses currently do not carry an expiry date.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £128m (2022: £69m), which 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 £363m (2022: £288m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

### 14. Inventories

As at 31 March	2023 £m	2022 £m
Raw materials and consumables	928	902
Work in progress	910	647
Finished goods and goods for resale	643	724
	<b>2,481</b>	<b>2,273</b>

The value of inventories above is stated after impairment of £111m (2022: £43m) for obsolescence and write-downs to net realisable value.

## E7. Notes to the financial statements

### 15. Trade and other receivables

#### Group:

As at 31 March	2023 £m	2022 £m
Trade receivables	382	764
Less provision for impairment of receivables	(3)	(4)
	379	760
Amounts owed by ultimate parent company (Note 34)	5	4
Amounts owed by other Group companies (Note 34)	12	33
Amounts owed by joint ventures (Note 34)	3	4
Amounts owed by associates (Note 34)	12	21
Derivative financial instruments (Note 24)	18	103
Other taxation	34	19
External interest receivable	1	-
Prepayments	25	24
Deferred proceeds on sale of business	13	8
Deferred proceeds on PPE disposals	-	4
Other receivables	106	84
	608	1,064

(i) Trade receivables are further analysed as follows:

As at 31 March 2023	Gross credit risk amount £m	Subject to credit insurance cover £m	Impairment provision made £m	Net credit risk amount £m
Amounts not yet due	348	(336)	-	12
One month overdue	18	(18)	-	-
Two months overdue	-	-	-	-
Three months overdue	2	(2)	-	-
Greater than three months overdue	14	(10)	(3)	1
	382	(366)	(3)	13

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

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2023 to be £13m (2022: £66m), which is the fair value of trade receivables (after impairment provisions) less those that are subject to credit insurance cover as shown in the table above. The other classes of financial assets within trade and other receivables do not contain impaired assets. There is no concentration of credit risk with any particular customers. Credit risk management is discussed further in Note 24.

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

As at 31 March	2023 £m	2022 £m
At beginning of period	4	6
Impairments in the period (Note 2)	-	2
Amounts utilised, exchange rate and other movements	(1)	(4)
At end of period	3	4

## E7. Notes to the financial statements

### Company:

As at 31 March	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	35	27
Interest owed by subsidiary undertakings	1	1
Other debtors	1	-
Other taxation	-	5
	<b>37</b>	<b>33</b>

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
<b>2023</b>		
UK corporation tax	-	5
Overseas taxation	11	5
	<b>11</b>	<b>10</b>
<b>2022</b>		
UK corporation tax	1	3
Overseas taxation	4	12
	<b>5</b>	<b>15</b>

### 17. Cash and short-term deposits

As at 31 March	2023 £m	2022 £m
Cash at bank and in hand	471	634
Short-term deposits	357	9
<b>Cash and short-term deposits</b>	<b>828</b>	<b>643</b>

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

As at 31 March	2023			2022		
	Cash £m	Short-term deposits £m	Total £m	Cash £m	Short-term deposits £m	Total £m
Sterling	33	5	38	85	9	94
Euros	329	352	681	422	-	422
US Dollars	70	-	70	106	-	106
Other	39	-	39	21	-	21
	<b>471</b>	<b>357</b>	<b>828</b>	<b>634</b>	<b>9</b>	<b>643</b>

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 1.9% (2022: 0.1%), with £352m being based on fixed interest rates, and £5m based on zero rate interest. During each of the periods above cash earned interest based on EURIBOR or other official local rates.

## E7. Notes to the financial statements

### 18. Assets held for sale

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

	2023	2022
	£m	£m
Property, plant and equipment	-	1
Inventories	-	13
Trade and other receivables	-	19
Write down to fair value less costs to sell	-	(9)
<b>Total assets classified as held for sale</b>	<b>-</b>	<b>24</b>
Trade and other payables	-	16
Provisions and other liabilities	-	2
Retirement benefit obligations	-	1
<b>Total liabilities classified as held for sale</b>	<b>-</b>	<b>19</b>

On 1 April 2022, the Group completed the sale of one of its subsidiaries, Tata Steel France Bâtiment et Systèmes SAS ('TSFBS'). Accordingly as at 31 March 2022, the TSFBS disposal group was classified as held for sale. Following this classification, a write down of £9m was recognised to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This impairment has been included in the income statement in 2022, see further details in note 2. The sale was recognised in 2023 and resulted in a gain of £2m, see note 32 for details.

### 19. Borrowings

Group:

As at 31 March	2023	2022
	£m	£m
<b>External:</b>		
Bank loans	351	200
Floating rate guaranteed Loan Notes	1	1
Obligations under leases	51	48
Capitalisation of transaction costs	(1)	-
	<b>402</b>	<b>249</b>
	<b>402</b>	<b>249</b>
<b>Non-current:</b>		
<b>Inter-group:</b>		
Amounts owed to immediate parent company (Note 34)	1,301	1,083
	<b>1,301</b>	<b>1,083</b>
<b>External:</b>		
Bank loans	298	426
Obligations under leases	229	231
Capitalisation of transaction costs	(23)	(29)
	<b>504</b>	<b>628</b>
	<b>1,805</b>	<b>1,711</b>
<b>Total borrowings</b>	<b>2,207</b>	<b>1,960</b>

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

## E7. Notes to the financial statements

(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	2023			2022		
	Fixed rate borrowings	Floating rate borrowings	Total	Fixed rate borrowings	Floating rate borrowings	Total
	£m	£m	£m	£m	£m	£m
Sterling	189	400	589	191	249	440
Euros	86	1,548	1,634	83	1,458	1,541
US Dollars	1	-	1	2	-	2
Other	7	-	7	6	-	6
Capitalisation of transaction costs	-	(24)	(24)	-	(29)	(29)
	<b>283</b>	<b>1,924</b>	<b>2,207</b>	<b>282</b>	<b>1,678</b>	<b>1,960</b>

	2023		2022	
	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed
	%	Years	%	Years
Sterling	6.1	4.7	5.8	6.2
Euros	4.1	4.2	4.3	6.2

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 5.51% (2022: 3.17%) and on non-current borrowings was 4.02% (2022: 2.84%).

(ii) The maturity of borrowings is as follows:

As at 31 March	2023	2022
	£m	£m
In one year or less or on demand	417	263
Between one and two years	117	53
Between two and three years	469	104
Between three and four years	1,203	443
Between four and five years	39	1,123
More than five years	48	77
	<b>2,293</b>	<b>2,063</b>
Less: future finance charges on leases	(44)	(51)
Less: capitalisation of transaction costs	(24)	(29)
Less: future release of debt modification credit	(18)	(23)
	<b>2,207</b>	<b>1,960</b>
Analysed as:		
Current liabilities	402	249
Non-current liabilities	1,805	1,711

Amounts payable under leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	2023	2022
	£m	£m	£m	£m
Not later than one year	65	62	51	48
Later than one year but not more than five years	212	191	182	161
More than five years	47	77	47	70
	<b>324</b>	<b>330</b>	<b>280</b>	<b>279</b>
Less: future finance charges on leases	(44)	(51)	-	-
Present value of lease obligations	<b>280</b>	<b>279</b>	<b>280</b>	<b>279</b>

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

## E7. Notes to the financial statements

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

As at 31 March	2023 £m	2022 £m
Not later than one year	-	127
Between one and two years	-	-
Between two and three years	276	50
<b>Total</b>	<b>276</b>	<b>177</b>

The Group's senior facility contains no limits on the amount of other uncommitted, unsecured credit facilities (2022: limited to €725m, with a sub-limit of €355m for overdrafts, bill discounting, financial guarantees and other debt classed as such on the balance sheet).

Tata Steel Nederland B.V. ('TSN') refinanced its Revolving Credit Facility ('RCF') during October 2022 with the maximum limit increasing from €150m to €200m. As of 31 March 2023, this remains undrawn.

Tata Steel UK Limited ('TSUK') entered into a RCF in June 2021 with a maximum availability of £200m. As of 31 March 2023, this facility was fully utilised.

Tata Steel Europe Limited entered into a long term working capital facility agreement in May 2022 with a maximum availability of £150m. As of 31 March 2023, £50m remains undrawn.

Tata Steel Europe Limited entered into a RCF in January 2023 with a maximum availability of £100m. As of 31 March 2023, £50m remains undrawn.

(iv) The single largest element of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in October 2022. The transaction costs of £2m arising from the refinancing have been capitalised and are amortised over the term of the loan. The SFA is secured against the assets and shares of Tata Steel UK Limited and the shares of Tata Steel Netherlands Holdings BV(TSNH). The SFA contains covenants for cash flow to debt service and debt to tangible net worth calculated at the level of Tata Steel Limited in India. During 2022/23 prior to refinancing the old SFA facility TSE made an early repayment of €168m in October 2022. Following this early repayment and the subsequent refinancing, the SFA at 31 March 2023 comprises of a €302m bullet term loan repayable in February 2026.

### Company:

As at 31 March	2023 £m	2022 £m
Current:		
External <sup>(i)(ii)</sup>	149	50
Inter-group:		
Amounts owed to other Group companies	1	-
	<b>150</b>	<b>50</b>

(i) During the year, the company entered a new 3 year committed £150m working capital facility with interest charged on a floating basis with reference to SONIA. £100m of this facility was drawn as at 31 March 2023.

(ii) During the year the company entered a new 3 year committed facility with interest charged on a floating basis with reference to SONIA. £50m of this facility was drawn as at 31 March 2023.

## E7. Notes to the financial statements

### 20. Trade and other payables

<b>Group:</b>		
<b>As at 31 March</b>	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Trade payables	1,144	1,108
Amounts owed to other Group companies (Note 34)	424	396
Amounts owed to joint operations (Note 34)	2	1
Amounts owed to associates (Note 34)	3	3
Other taxation and social security	76	86
Interest payable to immediate parent Company (Note 34)	29	16
Interest payable	6	3
Capital expenditure creditors	237	161
Derivative financial instruments (Note 24)	153	11
Advances from customers	3	1
Other payables	424	499
	<b>2,501</b>	<b>2,285</b>

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

<b>Company:</b>		
<b>As at 31 March</b>	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Trade creditors	35	27
Amounts owed to subsidiary undertakings	4	5
Interest payable	1	1
	<b>40</b>	<b>33</b>

### 21. Pensions and post-retirement benefits

#### Defined contribution schemes

The Group participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Group at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2023 amounted to £138m (2022: £132m). Of the total cost of £138m, £86m (2022: £82m) 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 2023 is the BSPPS, which is the main scheme for historic and present employees based in the UK.

#### BSPPS

The BSPPS 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 BSPPS which entered a PPF assessment period in March 2018. The Scheme currently has around 67,000 members of which c.80% are pensioners with benefits in payment. The BSPPS is sponsored by TSUK. Although TSUK has a legal obligation to fund any future deficit, a key condition of the new BSPPS 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 Scheme is therefore well positioned to pay benefits securely on a low risk basis without recourse to TSUK. Pension risks



## E7. Notes to the financial statements

relating to the Scheme include economic risks (such as interest rate risk and inflation risk), demographic risks (for example members living longer than expected), legal risks (for example changes in legislation that may increase liabilities), and counterparty risk (relating to a counterparty to a derivative transaction or insurance contract defaulting on their obligations). 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 of insuring liabilities in full with one or more insurers. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to protect funding levels relative to insurer pricing. However, the scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the TSE financial statements should yields on gilts and corporate bonds diverge.

The BSPS Trustee and Company have established a framework for dynamic de-risking as and when conditions are appropriate. The framework provides for the parties to agree to partial buy-in transactions with one or more insurers over a period of time. In relation to this, the scheme completed its first buy-in transaction in respect to a small portion of the overall liabilities during the year ended 31 March 2022. It has also completed two further buy-in transactions during the current year involving the purchase of annuities with an external insurer of the order of £2.2bn and £2.1bn in May 2022 and December 2022 respectively. Following the buy-ins the relevant annuity asset has been valued on an IAS 19 basis and the corresponding difference between the premium paid and the IAS 19 asset value has been treated as an asset loss through the OCI. Following the completion of the transactions within the current year, around 60% of the liabilities of the scheme are now covered by insurance policies and it is envisaged that the remaining 40% of liabilities will be secured by a further insurance transaction in the early part of 2023/24.

TSUK retains the sole power to decide whether to proceed to wind-up the Scheme 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.

During March 2023 the Scheme entered a non-binding price lock arrangement covering the remaining un-insured liabilities which is expected to complete during the early part of 2023/24. Whilst the expected transaction is not reflected in the position as at 31 March 2023, the pricing within this agreement indicates that a funding level over 103% will be achieved and accordingly the Group now considers it highly probable that the 103% increase will be granted once the expected transaction completes. As such an allowance of £180m has been included in the IAS 19 31 March 2023 liability calculation representing the estimated value of this 103% benefit uplift (2022: £nil).

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 2023 (2022: £nil) for its interest in TSUK.

The Framework Agreement entered into as part of the RAA included provisions for a potential additional payment to pensioners with pre 1997 service if the 2021 Actuarial Valuation ('AV') results in an 'unexpected surplus' (calculated using assumptions set out in the Framework Agreement). Following the conclusion of the 2021 AV it was confirmed that the conditions for an increase had been met with the 2021 AV Increase paid out as a restoration payment to members in October 2022. The AV 2021 allowance is therefore no longer included in the DBO as at 31 March 2023 (2022: £58m).

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. During October 2022, the Scheme Trustee's carried out a further analysis and found a more refined estimate could be slightly smaller than the original estimate. Given the expectation of the equalisation cost being smaller than previously budgeted, the Company has reduced the GMP equalisation allowance as at 31 March 2023 to £30 million (2022: £50m).

At 31 March 2023 the Scheme had an IAS 19 surplus of £685m (2022: £2,049m). In accordance with IFRIC 14, the company has recognised 100% (2022: 100%) of the surplus as it has an unconditional right to a refund of the surplus. The Scheme is fully funded on a low-risk technical provisions ('TP') basis and, as mentioned above, it is expected that the Scheme will be fully funded on an insurance basis in the early part of 2023/24.

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

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction which will be recognised as an actuarial loss will be determined in due course. Following this transaction the scheme has now insured all of its liabilities.

The weighted average duration of the scheme's liabilities at 31 March 2023 was 11.0 years (2022: 13.5 years).

In the current year the income statement includes no charge (2022: £3m) in relation to costs associated with the RAA, (Note 4). In the prior year these costs were borne directly by the Group.

### 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.

## E7. Notes to the financial statements

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

2023	BSPS %	Other %
Salary growth <sup>1</sup>	n/a	1.50 to 3.00
Pension increases <sup>2</sup>	2.91	0.00 to 2.75
Discount rate	4.87	2.20 to 5.00
Inflation	2.91	2.00 to 3.00

<sup>1</sup> The BSPS is closed to future accrual.

<sup>2</sup> Where applicable a CPI assumption of 2.91% was applied within the BSPS.

2022	BSPS %	Other %
Salary growth <sup>3</sup>	n/a	1.00 to 2.50
Pension increases <sup>4</sup>	3.07	0.00 to 2.50
Discount rate	2.72	0.50 to 4.00
Inflation	3.07	1.00 to 3.00

<sup>3</sup> The BSPS is closed to future accrual.

<sup>4</sup> Where applicable a CPI assumption of 3.07% 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 2023 use the Self-Administered Pension Schemes 3 (SAPS 3) base tables, S3PMA\_M/S3PFA/S3DFA with the 2020 CMI projections with a 1.25% p.a. (2021-22: 1.25% p.a.) long-term trend applied from 2013 to 2021 (adjusted by a multiplier of 1.03 p.a. (2021-22: 1.03 p.a.) for males, 1.03 p.a. (2021-22: 1.03 p.a.) for females and 1.04 p.a. for female dependents (2021-22: 1.04 p.a.)). In addition, future mortality improvements are allowed for in line with the 2021 CMI Projections with a long-term improvement trend of 1% (2022: 1%) per annum, a smoothing parameter of 7.0 (2022: 7.0), an initial addition parameter of 0% (2022: 0%) and a 10% weight on mortality experience allowance (2022 :nil), for adopting w2020 and w2021 parameters for excess deaths in the UK in the COVID-19 affected years. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years (2021-22: 86 years) of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 86 years (2021-22: 87) of age.

### Sensitivities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 50bps (2022: 10bps)	Decrease by 5.0% / increase by 5.4%
Inflation	Increase/decrease by 50bps (2022: 10bps)	Increase by 2.3% / decrease by 2.4%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.0%

Sensitivities for the BSPS have been provided as it is a material scheme. Please note that the sensitivities shown are in respect of the total liabilities which include the portion of the liabilities covered by an insured annuity contract. Changes in the value of the insured liabilities are fully offset by equivalent change in the insured asset value. As at 31 March 2023, c. 40% of BSPS liabilities remain uninsured, therefore the net impact of change in assumptions on uninsured liabilities is about 40% of the impact shown above.

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.

## E7. Notes to the financial statements

### Income statement costs

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

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

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

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

Income statement pension costs arose as follows:

2023	BSPS £m	SPH £m	UK £m	Other £m	Total £m
Current service cost	8			1	9
Net interest (income)/cost	(55)			2	(53)
Defined benefit schemes	(47)			3	(44)
Defined contribution schemes	-	86	46	6	138
Total (credit)/charge for the period	(47)	86	46	9	94

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

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

	2023 £m	2022 £m
Pension costs (Note 4)	94	103
Pension restructuring items (Note 4)	-	3
Total charge for the period	94	106

The asset classes include national and international stocks, fixed income government and non-government securities, real estate and annuities with external insurers. 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:

2023	BSPS %	Other %
<b>Quoted:</b>		
Equities – Non-UK Entities	0.0	34.7
Bonds – Fixed Rate	28.8	53.1
Bonds – Index Linked	4.8	0.0
Other	0.0	0.0
	<b>33.6</b>	<b>87.8</b>
<b>Unquoted:</b>		
Real estate	7.0	5.3
Derivatives	0.1	0.0
Cash and cash equivalents	3.5	3.8
Insurance	54.9	0.0
Other	0.9	3.1
	<b>66.4</b>	<b>12.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## E7. Notes to the financial statements

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

### 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:

2023	BSPS £m	Other £m	Total £m
Fair value of plan assets	6,681	98	6,779
Present value of obligation	(5,996)	(167)	(6,163)
<b>Defined benefit asset/(liability) at end of period</b>	<b>685</b>	<b>(69)</b>	<b>616</b>
Disclosed as:			
Defined benefit asset	685	2	687
Defined benefit liability – current	-	(1)	(1)
Defined benefit liability – non-current	-	(70)	(70)
Arising from:			
Funded schemes	685	(5)	680
Unfunded schemes	-	(64)	(64)
<hr/>			
2022	BSPS £m	Other £m	Total £m
Fair value of plan assets	9,874	99	9,973
Present value of obligation	(7,825)	(188)	(8,013)
<b>Defined benefit asset/(liability) at end of period</b>	<b>2,049</b>	<b>(89)</b>	<b>1,960</b>
Disclosed as:			
Defined benefit asset	2,049	1	2,050
Defined benefit liability – current	-	(1)	(1)
Defined benefit liability – non-current	-	(89)	(89)
Arising from:			
Funded schemes	2,049	(13)	2,036
Unfunded schemes	-	(76)	(76)

## E7. Notes to the financial statements

The movements in the present value of plan assets and defined benefit obligations in 2023 and 2022 were as follows:

2023	BSPS £m	Other £m	Total £m
<b>Plan assets:</b>			
As at 1 April 2022	9,874	99	9,973
Interest income on plan assets	262	4	266
Return on plan assets less than the discount rate	(2,928)	(8)	(2,936)
Change in effect of asset ceiling	-	(2)	(2)
Contributions from the employer	-	9	9
Exchange rate movements	-	6	6
Benefits paid	(527)	(10)	(537)
<b>As at 31 March 2023</b>	<b>6,681</b>	<b>98</b>	<b>6,779</b>
<b>Defined benefit obligations:</b>			
As at 1 April 2022	7,825	188	8,013
Current service cost	8	1	9
Interest cost on the defined benefit obligation	207	6	213
Actuarial gain due to financial assumption changes	(1,498)	(26)	(1,524)
Actuarial gain due to demographic assumption changes	(41)	-	(41)
Actuarial loss due to actuarial experience	22	1	23
Exchange rate movements	-	9	9
Benefits paid	(527)	(12)	(539)
<b>As at 31 March 2023</b>	<b>5,996</b>	<b>167</b>	<b>6,163</b>

Included within other schemes above are post-retirement medical and similar net obligations of £4m (2022: £4m).

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

Actuarial losses recorded in the statement of comprehensive income for the period were £(1,396)m (2022: gain of £49m).

## E7. Notes to the financial statements

### 22. Provisions for liabilities and charges

	Rationalisation costs (i)	Environmental provision (ii)	Insurance (iii)	Employee benefits (iv)	Other (v)	Total 2023	Total 2022
	£m	£m	£m	£m	£m	£m	£m
As at 1 April	23	174	33	58	67	355	544
Charged to income statement	6	138	7	-	22	173	183
Released to income statement	(2)	(13)	-	(5)	(15)	(35)	(24)
Utilised in period	(11)	(100)	(10)	-	(19)	(140)	(347)
Exchange rate movements	-	7	-	2	3	12	(1)
<b>At end of period</b>	<b>16</b>	<b>206</b>	<b>30</b>	<b>55</b>	<b>58</b>	<b>365</b>	<b>355</b>
Analysed as:							
Current liabilities						180	166
Non-current liabilities						185	189

(i) Rationalisation costs include redundancy provisions as follows:

	2023 £m	2022 £m
At beginning of period	10	3
Charged to income statement	4	23
Released to income statement	(1)	-
Utilised during the period	(10)	(16)
<b>At end of period</b>	<b>3</b>	<b>10</b>

	2023 £m	2022 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	4	3
Environmental and other remediation costs at sites subject to restructuring/closure	9	10
	13	13

Although the precise timing in respect of utilising the redundancy provisions is not known, the majority is expected to be incurred within one year. At 31 March 2023 the rationalisation provision included £4m (2022: £3m) in respect of onerous leases on a discounted basis. This provision would have amounted to £4m (2022: £3m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 10 years.

(ii) The environmental provisions consist of provisions for CO<sub>2</sub> emission rights, together with remediation and clean-up activities that are likely to be undertaken in the foreseeable future and of which the costs can reasonably be estimated. The majority of the provision is expected to be incurred within one year. The provision for CO<sub>2</sub> emission rights is sensitive to movements in the market price for these rights.

(iii) The insurance provisions currently held by the Group cover its historical liability risks. 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 £22m (2022: £27m), product warranty claims of £8m (2022: £6m) and other miscellaneous provisions of £28m (2022: £34m). The timing in respect of utilising these provisions is uncertain.

## E7. Notes to the financial statements

### 23. Other non-current liabilities

As at 31 March	2023	2022
	£m	£m
Other taxation and social security	56	68
Other creditors	2	3
	<b>58</b>	<b>71</b>

As at 31 March	2023	2022
	£m	£m
An analysis of other creditors by currency is set out below:		
Sterling	1	2
Euros	57	69
	<b>58</b>	<b>71</b>

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

### 24. Financial instruments and risk management

#### (i) Capital risk management

The Group manages its capital with the aim of ensuring that the entities in the Group are able to continue as a going concern. Further details are included in the basis of preparation on page 44. The Group's overall risk strategy remains unchanged from 2022. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 19, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Net debt has increased in the year to £1,379m at 31 March 2023 from £1,317m at 31 March 2022 (note 32) mainly due to an increase of £247m in borrowings partly offset by an increase of £185m in cash and cash equivalents.

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

As at 31 March	2023	2022
	£m	£m
<b>Financial assets:</b>		
Loans and receivables:		
Other investments (Note 11)	6	7
Long term receivables (Note 12)	2	2
Trade receivables (Note 15)	379	760
Other receivables <sup>1</sup> (Note 15)	152	158
Cash and short-term deposits (Note 17)	828	643
	<b>1,367</b>	<b>1,570</b>
<b>Financial liabilities:</b>		
Financial liabilities held at amortised cost:		
Trade and other payables <sup>2</sup> (Note 20)	(2,269)	(2,187)
Current borrowings (Note 19)	(402)	(249)
Non-current borrowings (Note 19)	(1,805)	(1,711)
Other non-current liabilities (Note 23)	(58)	(71)
	<b>(4,534)</b>	<b>(4,218)</b>
	<b>(3,167)</b>	<b>(2,648)</b>

<sup>1</sup> Excludes derivatives, other taxation and prepayments

<sup>2</sup> 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 £393m (2022: £245m) and £1,741m (2022: £1,665m) 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

## E7. Notes to the financial statements

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	2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial assets (Note 15)	-	18	-	18
Investments (Note 11)	-	-	6	6
	-	18	6	24
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial liabilities (Note 20)	-	(153)	-	(153)
	-	(153)	-	(153)
As at 31 March	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial assets (Note 15)	-	103	-	103
Investments (Note 11)	-	-	6	6
	-	103	6	109
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial liabilities (Note 20)	-	(11)	-	(11)
	-	(11)	-	(11)

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 treasury functions within the UK and MLE business whose activities are governed by policies and procedures approved by the TSUK and TSN Boards. The businesses treasury committees meet at least quarterly to review activities and to monitor treasury performance against policies.

#### (a) Market risk: foreign exchange risk and management

At 31 March 2023, the Group had £2,207m (2022: £1,960m) in borrowings, of which £1,611m (2022: £1,512m) net of capitalised transaction costs of £23m (2022: £29m) is denominated in euros, £588m (2022: £440m) net of capitalised transaction costs of £1m (2022: £nil) is denominated in sterling, £1m (2022: £2m) is denominated in US dollars, and £7m (2022: £6m) is denominated in other currencies. As described in Note 19, the single largest element of the Group's external borrowings relate to the SFA which is held by TSE's euro-denominated subsidiary company Tata Steel Netherlands Holdings BV ('TSNH'). The SFA was refinanced during October 2022 following a repayment of €168m and as at 31 March 2023 comprises of a €302m euro denominated bullet term loan (for full details see Borrowings note 19).

It is the Group 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 2023, the Group held forward currency sales of principally Euros and US Dollars amounting to £361m (2022 Restated\*: £473m) and purchases of principally Euros and US dollars amounting to £1,341m (2022 Restated\*: £1,289m).

A 10% appreciation of sterling at 31 March 2023 would increase the Group's net assets by approximately £78m (2022: £105m), increase equity by approximately £78m (2022: £105m) and increase operating profit by approximately £nil (2022: £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 make 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, carbon emission rights based on predicted future emissions deficit, and of natural gas and electricity to manage its purchase price risk.

At 31 March 2023, a 10% appreciation of market prices would increase the Group's equity by approximately £25m (2022 restated: £30m). There was no significant market risk relating to the income statement since the majority of commodity



## E7. Notes to the financial statements

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 2023, a 100 basis points increase in interest rates over the 12-month period would increase the Group's net finance expense by approximately £10m (2022: £5m) and decrease equity by approximately £10m (2022: £5m).

### (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 counterparties. 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 treasury operations of the UK and MLE businesses. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 19(iii), the total undrawn committed borrowing facilities at 31 March 2023 is £276m (2021: £177m).

The management of TSE's UK and MLE businesses review liquidity and any associated risk monthly, which includes a review of the businesses 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 2023.

As at 31 March	2023			
	Contractual cashflows £m	Less than 1 year £m	Between 1 – 5 years £m	More than 5 years £m
<b>Non-derivative financial liabilities:</b>				
Trade and other payables <sup>1</sup>	(2,269)	(2,269)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Lease obligations	(324)	(65)	(212)	(47)
Bank and other loans	(2,197)	(435)	(1,762)	-
Other creditors	(2)	-	(2)	-
	<b>(4,793)</b>	<b>(2,770)</b>	<b>(1,976)</b>	<b>(47)</b>
<b>Derivative financial liabilities:</b>				
Foreign currency contracts:				
Payables	(1,698)	(1,698)	-	-
Receivables	1,665	1,665	-	-
Commodity contracts	(102)	(102)	-	-
	<b>(135)</b>	<b>(135)</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>(4,928)</b>	<b>(2,905)</b>	<b>(1,976)</b>	<b>(47)</b>

<sup>1</sup> Excludes other taxation and social security, derivatives and advances from customers

## E7. Notes to the financial statements

As at 31 March	2022			
	Contractual cashflows £m	Less than 1 year £m	Between 1 – 5 years £m	More than 5 years £m
<b>Non-derivative financial liabilities:</b>				
Trade and other payables <sup>1</sup>	(2,187)	(2,187)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Lease obligations	(329)	(61)	(191)	(77)
Bank and other loans	(1,734)	(202)	(1,532)	-
Other creditors	(3)	-	(3)	-
	(4,254)	(2,451)	(1,726)	(77)
<b>Derivative financial liabilities:</b>				
Foreign currency contracts:				
Payables (Restated*)	(1,769)	(1,769)	-	-
Receivables (Restated*)	1,781	1,781	-	-
Commodity contracts	80	80	-	-
	92	92	-	-
<b>Total financial liabilities</b>	<b>(4,162)</b>	<b>(2,359)</b>	<b>(1,726)</b>	<b>(77)</b>

<sup>1</sup> 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:

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Current:</b>				
Foreign currency contracts	5	(38)	22	(10)
Commodity contracts	13	(115)	81	(1)
	18	(153)	103	(11)

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	2023 £m
	Cash flow hedge reserve net of taxation at beginning of period	17	72	(19)
Fair value recognised	(56)	(171)	53	(174)
Cash flow hedge reserve net of taxation at end of period	(39)	(99)	34	(104)

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

## E7. Notes to the financial statements

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:

	2023 £m	2022 (Restated*) £m
Foreign currency contracts	1,664	1,788
Commodity futures and options	384	320

There was no significant ineffectiveness on cash flow hedges recognised in the income statement in 2023 (2022: £nil).

\*Restated prior year figures within this note relate to a prior year error in the display of the notional amount of derivative contracts, whereby the notional value was previously overstated. Prior year figures have been restated to the correct values and this restatement relates only to disclosures within this note and have no impact any primary financial statements.

### 25. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2023 £m	2022 £m
At 1 April	1	3	4	5
Released to income statement	-	(1)	(1)	(1)
At 31 March	1	2	3	4

### 26. Called up share capital

#### Group and Company:

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

Authorised, allotted and fully paid	2023 £m	2022 £m
10,222,326,338 (2022: 10,222,326,338) ordinary shares of £1 each	10,222	10,222

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

#### Company reconciliation of share capital and equity:

	Ordinary share capital £m	Accumulated deficit £m	Total £m
At 31 March 2022	10,222	(4,999)	5,223
Loss for the year	-	(2)	(2)
At 31 March 2023	10,222	(5,001)	5,221

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

### 27. Future capital expenditure

	2023 £m	2022 £m
Contracted but not provided for	177	184
Authorised but contracts not yet placed	416	497

At the end of the period there was £5m (2022: £5m) of future expenditure planned in relation to intangible assets.

## E7. Notes to the financial statements

### 28. Exposure for cash outflows relating to leases

	2023	2022
	£m	£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
Future cash outflows relating to leases committed but not yet commenced	23	23
	23	24

### 29. Contingencies

	2023	2022
	£m	£m
Guarantees given under trade agreements	90	72
Others	19	9

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

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

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

### 30. Reconciliation of cash generated from total operations

	2023	2022
	£m	£m
(Loss)/profit after taxation	(344)	882
<i>Adjustments for:</i>		
Taxation	470	(86)
Depreciation and amortisation including impairment items (net of grants released)	236	244
Profit on disposal of property, plant and equipment and Group companies	(19)	10
Finance income	(14)	(47)
Finance expense	133	192
Share of post-tax results of joint ventures and associates	(2)	(13)
Movement in pensions and post-retirement benefits	(55)	(38)
Movement in provisions for impairments of trade receivables	(1)	3
Movement in insurance and other provisions	6	(167)
Movement in spares	(7)	(7)
Movement in inventories	(143)	(926)
Movement in receivables	404	(359)
Movement in payables	(92)	743
Net rationalisation costs provided	5	22
Utilisation of rationalisation provisions	(11)	(15)
Net cash flow generated from operations	566	438

## E7. Notes to the financial statements

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

	2023	2022
	£m	£m
Movement in cash and cash equivalents	161	484
Movement in total debt excluding bank overdrafts	(94)	(401)
Change in net debt resulting from cash flows in period	67	83
Exchange rate movements	(35)	8
Other non-cash changes	(94)	445
Movement in net debt in period	(62)	536
Net debt at beginning of period	(1,317)	(1,853)
Net debt at end of period	(1,379)	(1,317)

### 32. Analysis of net debt

	1 April 2022	Cash flow	Exchange rate movements	Other non-cash movements	31 March 2023
	£m	£m	£m	£m	£m
Cash and short-term deposits	643	161	24	-	828
<b>Cash and cash equivalents</b>	643	161	24	-	828
Other non-current borrowings	(1,481)	1	(57)	(39)	(1,576)
Bank/other loans and loan notes	(201)	(150)	-	-	(351)
Obligations under leases	(278)	55	(2)	(55)	(280)
<b>Total debt excluding bank overdrafts</b>	(1,960)	(94)	(59)	(94)	(2,207)
	(1,317)	67	(35)	(94)	(1,379)

The other non-cash movements in respect of other non-current borrowings relate to £27m of rolled interest on debt to group companies and £12m of unwinding of amortised loan transaction costs during the year.

The other non-cash movements in respect of obligations under leases comprises £56m of additions of new lease contracts and £1m of terminated leases.

## E7. Notes to the financial statements

### 33. Disposal of group undertakings

During the year, the Group completed the dissolution of the below 23 subsidiaries, having previously entered them into liquidation.

- Darlington & Simpson Rolling Mills Limited (dissolved 5 April 2022)
- Wellington Tube Works Limited (dissolved 5 April 2022)
- The Hallamshire Steel Co. Limited (dissolved 5 April 2022)
- John Tinsley Limited (dissolved 5 April 2022)
- DSRM Group Limited (dissolved 5 April 2022)
- 02727547 Limited (dissolved 5 April 2022)
- The Templeborough Rolling Mills Limited (dissolved 5 April 2022)
- Westward Steel Service Limited (dissolved 5 April 2022)
- Europressings Limited (dissolved 5 April 2022)
- Precoat International Limited (dissolved 6 April 2022)
- Precoat Limited (dissolved 6 April 2022)
- 00224239 Limited (dissolved 6 April 2022)
- Toronto Industrial Fabrications Limited (dissolved 6 April 2022)
- British Steel Service Centres Limited (dissolved 6 April 2022)
- Lister Tubes Limited (dissolved 13 April 2022)
- Stewart and Lloyds of Ireland Limited (dissolved 13 April 2022)
- Walkersteelstock Ireland Limited (dissolved 17 April 2022)
- English Steel Corporation (Overseas) Limited (dissolved 24 May 2022)
- Lye Trading Co. Limited (dissolved 24 May 2022)
- Birmingham Steel Processors Limited (dissolved 23 August 2022)
- Round Oak Properties (dissolved 21 October 2022)
- Plated Strip International Limited (dissolved 21 October 2022)
- Stewarts and Lloyds (Overseas) Limited (dissolved 21 October 2022)
- Samuel Fox & Company Limited (dissolved 21 October 2022)
- Runmega Limited (dissolved 21 October 2022)
- Corus Engineering Steels Holdings Limited (dissolved 20 January 2023)
- Grant Lyon Eagre Limited (dissolved 20 January 2023)
- Hammermega Limited (dissolved 20 January 2023)
- Blastmega Limited (dissolved 21 January 2023)

Details of companies currently still in the process of liquidation can be found on Note 36.

(i) During the year the Group has partially reversed a previously recognised impairment in relation to deferred consideration on previous business divestments for which is now deemed as recoverable. This reversal of £10m has been credited to the income statement in the current year and partially reverses previous total impairments of £16m.

(j) On 1 April 2022, the Group completed the sale of its wholly owned subsidiary Tata Steel France Bâtiments et Systèmes SAS ('TSFBS'). As at 31 March 2022, TSFBS had been classified as held for sale.

(ii) On 29 July 2022, the Group completed the sale of its wholly owned subsidiary Harbornvein 60 AS ('Harbornvein') to Borg Havn Eiendom AS. Harbornvein is a wholly owned subsidiary of the Group, by virtue of British Steel Nederland International B.V. and Tata Steel IJmuiden B.V. (both of which are Group companies) owning 50% of the issued share capital in Harbornvein. Harbornvein is an SPV which was newly created in the year to facilitate the sale of land and buildings at the former Norsk Stal Tynnplatter AS site in Norway.

iii) The net assets disposed were as follows:

2023	£m	£m
Property, plant and equipment	2	
Assets held for Sale	24	
Liabilities held for Sale	(19)	
<b>Net assets disposed</b>		<b>7</b>
Gross consideration	12	
Foreign exchange recycled to the income statement	2	
Impairment reversal (v)	10	
<b>Profit on disposal (note 2)</b>		<b>17</b>

## E7. Notes to the financial statements

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

	£m	£m
Gross consideration	12	
Net cash flow		12

(v) During the year the Group has partially reversed a previously recognised impairment in relation to deferred consideration on previous business divestments for which is now deemed as recoverable. This reversal of £10m has been credited to the income statement in the current year and partially reverses previous total impairments of £16m.

### 34. Related party transactions

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

	2023 £m	2022 £m
<b>Amounts reported within the consolidated income statement:</b>		
Sales to joint ventures	77	85
Sales to associates	132	185
Sales to other Group companies	17	6
Other operating income with other Group companies	2	2
Purchases from associates	30	33
Purchases from ultimate parent company	-	42
Purchases from other Group companies	3,171	2,966
Interest on loans from immediate parent company (Note 5)	40	23
Interest on loans from other Group companies (Note 5)	-	18
Waiver of loan interest owed to immediate parent company (Note 5)	-	36
<b>Amounts reported within the Consolidated balance sheet:</b>		
Amounts owed by joint ventures (Note 15)	3	4
Amounts owed by associates (Note 15)	12	21
Amounts owed by ultimate parent company (Note 15)	5	4
Amounts owed by other Group companies (Note 15)	12	33
Amounts owed to joint operations (Note 20)	2	1
Amounts owed to associates (Note 20)	3	3
Amounts owed to other Group companies (Note 20)	424	396
Interest payable to immediate parent company (Note 20)	29	16
Derivatives payable to ultimate parent company (Note 20)	1	-
Loans owed to immediate parent company (Note 19)	1,301	1,083

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

#### *Proco and Proco Issuer*

(a) As at 31 March 2023 £396m (2022: £353m) was owed to Proco and £10m owed by Proco (2022: £nil) with total financing costs in the period of £nil (2022: £16m). Total purchases in the year in relation to this agreement were £3,044m (2022: £2,825m).

#### *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 £13m being payable for 2023 (2022: £16m).

## E7. Notes to the financial statements

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

	2023 £m	2022 £m (i)
Short-term employee benefits (ii)	2	5
Other long term benefits	-	1
	2	6

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

(ii) Included within short-term employee benefits for the year is £nil (2022: £3m) in relation to compensation for loss of office.

### 35. Events after the reporting period

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction which will be recognised as an actuarial loss will be determined in due course. Following this transaction the scheme has now insured all of its liabilities.

### 36. Ultimate and immediate parent company

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

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

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

### 37. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2023 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)	C/O SIS, Brigadeiro Faria Lima, 1685 Conj. 5J Sao Paulo, SP Brazil
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#### Czech Republic

Tata Steel International (Czech Republic) S.R.O (ii) (iii)	Praha 2, Mala Stepanska 9, 120 00, Czech Republic
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#### Denmark

Tata Steel Denmark Byggesystemer A/S (xiv)	Hedeager 1,2 DK-8200 Arhus N, Central Denmark
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#### Finland

Naantali Steel Service Centre OY (ii) (iii)	Rautakatu 5, 21110 Naantali, Finland
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#### France

Corbeil Les Rives SCI (67.31%) (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92632, 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, 92632, France
Tata Steel Maubeuge SAS (ii) (iii)	22 Avenue Abbé Jean de Béco, Louvroil, 59720, France
Unitol SAS (ii) (iii)	Za De L'Aéroport De Paris, 1 Rue Fernand Raynaud, 91814, France

#### Germany

Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
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## E7. Notes to the financial statements

Degels GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
Fischer Profil GmbH (ii) (iii)	Waldstrasse 67, Netphen, 57250, Germany
FP Produktions-Und Vertriebs GmbH	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)	Grimbergstr. 75, 45889 Gelsenkirchen, Germany
Tata Steel Germany GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
Tata Steel International (Germany) GmbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany
<b>India</b>	
Tata Steel International (India) Limited. (ii) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
<b>Ireland (Republic of)</b>	
Corus Ireland Limited. (ii) (iii)	Suite 6, Beacon South Quarter, Sandyford Dublin 18, Ireland
Gamble Simms Metals Limited. (ii) (iii)	70 Sir John Rogerson's Quay, Dublin 2, Ireland
<b>Isle of Man</b>	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
<b>Italy</b>	
Tata Steel International (Italia) Srl (ii) (iii)	Via Rondoni 1, Milano, 20146, Italy
<b>Mexico</b>	
Tata Steel Mexico SA de CV (ii) (iii)	Av. Armando Birlain Shaffler 2001, Centro Sur, 76090 Santiago De Queretaro, Qro, Mexico
<b>Netherlands</b>	
British Steel Nederland International B.V. (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
C. V. Bénine (76.93%) (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Demka B.V. (ii) (iii) (vii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Huizenbezit Breesaap B.V. (ii) (iii)	Wenkebachstraat 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
Tata Steel IJmuiden B.V. (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland B.V. (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Consulting & Technical Services B.V. (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Services B.V. (ii) (iii)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Technology B.V. (ii) (iii)	Wenkebachstraat 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)	Wenkebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
<b>Nigeria</b>	
Tata Steel International (Nigeria) Limited (ii) (iii)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
<b>Norway</b>	
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
<b>Poland</b>	
Tata Steel International (Poland) Spółka z.o.o (ii) (iii)	7, Ul. Piastowska, Katowice, 40-005, Poland
<b>Romania</b>	
Corus International Romania SRL (ii) (iii)	7, Hirsova Street, Sector 3, Bucharest, Romania
<b>South Africa</b>	
TS South Africa Sales Office Proprietary Limited (ii) (iii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
<b>Spain</b>	
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
<b>Sweden</b>	
Halmstad Steel Service Centre AB (ii) (iii)	Turbingatan 1, Box 406, 301 09, 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

## E7. Notes to the financial statements

Tata Steel Sweden Byggsystem AB (xiv)	Sliparegatan 5, Box 4003, Stockholm, Hallands Län, Sweden
<b>Switzerland</b>	
Montana Bausysteme AG (ii) (iii)	Durisolstrasse 11, Villmergen, 5612, Switzerland
<b>Turkey</b>	
Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Omer Avni Mah. İnönü Cad. Devres Han, No: 50/7 Beyoglu, Istanbul, Turkey
<b>UAE</b>	
Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
<b>United Kingdom</b>	
00026466 Limited (ii) (iv) (xiii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
137050 Limited (ii) (iii)	30 Millbank London SW1P 4WY
00030048 Limited (ii) (iii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
British Steel Directors (Nominees) Limited (ii) (xiii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
British Steel Trading Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Catnic Limited (ii) (iii) (viii) (ix)	18 Grosvenor Place London SW1X 7HS
Cogent Power Limited (ii) (iii) (x)	18 Grosvenor Place London SW1X 7HS
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel UK Limited PO Box 101 Weldon Road Corby Northamptonshire NN17 5UA
Corus CNBV Investments (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels (UK) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Group Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Holdings Limited (ii) (iii)	58 Morrison Street, Edinburgh, Scotland EH3 8BP
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) (xiii)	Teneo Financial Advisory Ltd, 100 West George Street, Glasgow. G2 1PJ
Corus Liaison Services (India) Limited (ii) (iii) (xiii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
Corus Management Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Property (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus UK Healthcare Trustee Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
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
London Works Steel Company Limited (ii) (iii) (xiii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
Orb Electrical Steels Limited (ii) (iii) (xiii)	156 Great Charles Street, Queensway, Birmingham. B3 3HN
Runblast Limited (ii) (iii)	Hill House, 1 Little New Street London EC4A 3TR
Steel Stock Holders (Birmingham) (ii) (iii)	9 Albert Embankment, London. SE1 7SN
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
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 (ii) (iii) (xiii)	154 Great Charles Street, Queensway, Birmingham. B3 3HN
UES Cable Street Mills Ltd (ii) (iii)	9 Albert Embankment, London. SE1 7SN
UK Steel Enterprise Limited (ii) (iii)	The Innovation Centre 217 Portobello Sheffield S1 4DP
<b>USA</b>	
Apollo Metals, Limited. (ii) (iii) (xi)	1001 Fourteenth Avenue, 18018-0045 Bethlehem, USA
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)	261 Madison Avenue, New York, 10016, United States
Rafferty-Brown Steel Co Inc Of Conn. (ii) (iii)	240 Huntingdon Ave, Waterbury, Connecticut, 06708, USA
Tata Steel International (Americas) Holdings Inc. (ii) (iii) (iv)	475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 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

## E7. Notes to the financial statements

(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) (iii) (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)	58 Morrison Street, Edinburgh, Scotland EH3 8BP

#### 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
Wuppermann Staal Nederland B.V. (30%) (i) (ii) (AS)	Vlasweg 15, 4782 PW Moerdijk, Netherlands

#### Turkey

Tata Steel Ticaret AS (50%) (i) (ii) (JV)	Inönü Caddesi No:50 Dövres Han Kat:3 34437 Gümüşsuyu-Beyoğlu Istanbul Türkiye, PEGASUS EVI KAT: 7, Turkey
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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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