

TATA STEEL

A low-angle, upward-looking photograph of a cable-stayed bridge. The bridge's steel structure, including the deck and support towers, is silhouetted against a clear, bright blue sky. The perspective creates a sense of height and scale.

Tata Steel UK Limited
Report & Accounts 2020

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A. Directors and advisors

Directors

S Biswas (appointed 29 August 2019)
H Adam
T Farquhar
K Haider (appointed 13 November 2019)
H Matheson
J Phillips
E Hoogenes
H Fischer (resigned 1 July 2019)
N K Misra (resigned 21 February 2020)

Secretary and registered office

SV Gidwani
30 Millbank
London
SW1P 4WY

Company Number

02280000

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

B. Strategic report

Introduction

The Directors have pleasure in presenting their strategic report together with the audited accounts of Tata Steel UK Limited ('TSUK' or the 'Company') for the year ended 31 March 2020.

The Company has chosen to present the financial statements in accordance with FRS 101 '*Reduced Disclosure Framework*' 'FRS 101', a framework for entities who apply the presentation, recognition, measurement and disclosure requirements of EU-adopted IFRS but also ensure compliance with any relevant legal requirements applicable to it.

Ownership

TSUK is a subsidiary within the Tata Steel Europe Limited ('TSE') Group and its activities are managed as an integral part of the parents' operations. 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.

Principal activities

The principal activities are the manufacture and sale of steel strip products throughout the world. The Company produces carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the UK at Port Talbot. During 2019/20 this plant produced 3.5mt of liquid steel, 0.3mt higher than 2018/19 (3.2mt) due mainly to an outage to extend the life of Blast Furnace 5 during 2018/19 which reduced output in the prior year.

The Company owns, or has access to, TSE Group sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for distribution and further processing of steel products. These are supported by various agency agreements. The TSE Group organises its commercial activities into strategic sectors and these sector teams identify demand, which is met from a single, pan-European, supply chain function.

Principal end user markets for the Company's steel products are engineering, construction, automotive, retail and packaging.

Further information on TSUK can be obtained from either the TSE's website (www.tatasteeleurope.com) and/or the TSL 2019/20 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

On 30 June 2018 TSE signed definitive agreements with thyssenkrupp AG to combine their European Steel businesses into a 50:50 joint venture, named thyssenkrupp Tata Steel BV. However, on 10 May 2019 TSL announced that activities to complete the JV had been suspended, as it was anticipated that the JV would not receive merger control approval from the European Commission. On 11 June 2019 the European Commission formally announced it would not approve the intended joint venture.

On 1 July 2019 the Company completed the sale of its Firsteel business, a coated steel bakeware manufacturer based in the UK, to William King Limited. The profit recognised on the sale of this business was £nil (see note 2).

On 2 September 2019 TSE announced that it had signed a definitive agreement with JFE Shoji Trade Corporation (JFE) for the sale of Cogent Power Inc (manufacturer of cores for electrical distribution transformers in Canada, and a part of the Company's Cogent business unit) which was an indirect subsidiary of the Company. TSE also announced that despite exploring all options it has been unable to find a viable option for Orb Electrical Steels and therefore decided to close the site. Orb Electrical Steels was a manufacturer of Grain Oriented Electrical Steel in Newport, Wales, and a part of the Company's Cogent business unit. The sale of CPI to JFE completed on 20 September 2019.

During the year, TSUK along with the wider TSE Group commenced a group-wide transformation programme to improve the performance of the business, helping it to become more sustainable and enabling investments necessary to secure its long-term future. Improvements in performance will come from productivity improvements, reduced bureaucracy, increased sales of higher-value steels, and employment cost savings.

Across the wider TSE Group there is a focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce

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complexity, aid in transparency and improve corporate governance. TSUK has fully engaged in this corporate simplification exercise and 54 of its direct and indirect subsidiaries were placed into voluntary liquidation or dissolved during the year. For further details of companies involved please see the full subsidiary listing in note 31 of the accounts.

Towards the end of the year the Company started to experience the effects of the COVID-19 pandemic on demand for its steel products. Whilst there was only a minimal impact on demand in the year ended 31 March 2020, the Company put in place a number of measures to respond to the expected effects of the economic downturn and to remain well positioned when the recovery comes. In the first quarter of the 2020/21 financial year, demand for the Company's steel products was down by about 20% due to COVID-19 with certain sectors such as automotive experiencing a sharper decline than others, such as packaging, where demand was largely unaffected. The Company also received government support where this was available including the Coronavirus Job Retention Scheme and in the form of agreed deferrals of payroll taxes and VAT to HMRC.

Business review

The Company's revenue from operations of £2,143m (£2,407m in 2018/19) was 11% lower than the previous year due to reduced steel prices as a result of lower steel demand within the European market.

Liquid steel production in 2019/20 at 3.5mt (2018/19: 3.2mt) was 0.3mt higher than 2018/19 due mainly to an outage to extend the life of Blast Furnace 5 during 2018/19 which reduced output in the prior year.

The operating loss (including exceptional items) in 2019/20 was £956m (2018/19: loss of £161m), £795m worse than 2018/19. The operating loss during the year includes an exceptional cost of £460m relating to corporate simplification transactions (see Note 2) as well as an exceptional non-cash pension cost of £3m for costs associated with the British Steel Pension Scheme ('BSPS') restructuring. This compared to an exceptional cost of £4m in 2018/19 in respect of the BSPS restructuring (see Note 27).

Excluding these exceptional items the operating loss in 2019/20 was £493m compared to a loss of £157m in 2018/19. The increased loss in 2019/20 is primarily due to:

- Reduced profitability of c.£100m due to significantly reduced steel margins caused by lower demand in Europe, and,
- A £255m impairment recognised in 2019/20 (2018/19: £19m) reflecting a deteriorating economic outlook as a result of the COVID-19 pandemic which led to a write down of assets mainly in the Strip Products UK business.

Income from subsidiaries and joint ventures in 2019/20 of £538m was £537m higher than the previous year due to an increase in exceptional dividend income recognised in relation to Corporate Simplification activities (see note 5).

The Company's net finance cost in 2019/20 of £165m was £50m lower than the previous year due mainly to reduced interest charges on loans from TSL group companies following the conversion of parent company debt as further detailed in note 22.

Taxation was a credit of £127m in 2019/20 (2018/19: £10m charge) due to an income statement credit required to offset a net deferred tax charge in other comprehensive income relating mainly to actuarial gains on the BSPS.

The loss after taxation (including exceptional items) in 2019/20 was £456m (2018/19: £385m).

The balance sheet on page 21 of the financial statements shows the Company's financial position at the end of the financial year. The financial position improved from net liabilities of £391m at 31 March 2019 to net assets of £1,969m at 31 March 2020 with the loss after taxation of £456m offset by other comprehensive income of £539m (2018/19: £52m loss) caused mainly by actuarial movements on the BSPS and the issuance of new share capital of £2,277m.

On 24 December 2019 the Company entered into a new short term loan agreement with an external bank for £200m. The loan has a duration of 180 days with the ability to repay early.

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On 24 March 2020, the Company entered into a new trade receivables securitisation arrangement. Under the uncommitted arrangement, an external bank has agreed to purchase all eligible receivables from TSUK up to a programme maximum amount of £300m on a non-recourse basis. This facility replaced the receivables securitisation programme previously provided to TSUK by Proco Issuer Pte Ltd (for further details see Note 14).

At the start of the 2020/21 financial year TSUK commenced discussions to increase the availability of committed financing facilities in order to respond to any potential liquidity requirements arising from the COVID-19 pandemic. This includes discussions with the UK government about specific support for TSUK. At the date of this Strategic Report these discussions had not been concluded. For further information see the going concern disclosure on page 10.

As noted above, the Company's activities are managed as an integral part of TSE's operations. The performance of TSE is discussed in the TSE Annual Report & Accounts, which does not form part of this report and the Company's directors do not believe that further and separate discussion of other key performance indicators for the Company (or discussion thereof) is necessary for an understanding of the development, performance or position of the Company.

Principal risks and uncertainties

The other principal risks and uncertainties affecting the Company include Brexit, health, safety, environmental and other compliance matters, employees, financing, cyber attacks on information or operational technology, trading in the global steel market, long term competitiveness, performance and operations (including the impact of COVID-19), exchange rates and access to raw materials & energy. Further information and discussion on these principal risks and uncertainties are included in the TSE March 2020 Annual Report & Accounts.

Employees

Details of the number of employees and related costs can be found in Note 4 to the financial statements.

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 operated in all parts of the Company for a considerable time for the purpose of consulting and negotiating with trade unions, the European Works Council and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and employs them where suitable work can be found. 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. All reasonable measures are taken to ensure that disabled employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who become disabled while working for the Company.

The principal defined benefit pension scheme for TSUK is the BSPS, which is the main scheme for previous and present employees based in the UK. This came into existence on 28 March 2018 as part of the RAA agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the PPF. Pension arrangements for employees are now provided by way of a defined contribution scheme. Further details on the BSPS is provided in Note 27.

Gender pay

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

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Relative to national and industry statistics TSUK's gender pay gap (0.31% mean gender pay gap and 3.78% median gender pay gap) continues to be at the lower end. The Company 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.

Research and development

The Company continues to invest in research and development in order to bring about changes in product and process developments. These are discussed further in the TSE March 2020 Annual Report and Accounts.

Modern Slavery Act

Section 54 of the Modern Slavery Act 2015 requires relevant organisations carrying on business in the UK to publish a statement setting out the steps taken to ensure that no slavery or human trafficking is taking place within the organisation or its supply chains. The TSE board has approved a statement setting out the measures taken by the TSE Group during the financial year ended 31 March 2020. The statement will be issued by TSE on behalf of itself and its relevant UK subsidiary companies, including the Company, and published on the TSE website.

Financial risk management

TSUK's financial risk management is based upon sound economic objectives and good corporate practice. The Company's main financial risks are related to the availability of funds to meet its business needs, and movements in interest rates, exchange rates and commodity costs. Derivative and other financial instruments are used to manage any exposures where considered appropriate. Further details of its financial risks, and the way the Company mitigates them, are set out in Note 23.

Future developments and subsequent events

On 19 June 2020 TSUK repaid an external loan of £200m which was due for repayment on that date. This repayment was financed by TSE drawing down on an external loan facility of £200m on the same day and lending these proceeds to TSUK. The loan from TSE to TSUK has a duration of 180 days and this is expected to be subsequently renewed at maturity.

During June 2020, TSUK sold 6,450kt of the CO2 emission rights that it had been freely allocated as part of its 2020 allocation under the EU ETS for total proceeds of £135m.

Energy and carbon emissions reporting

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. TSUK's SECR disclosures have been reported in the TSE March 2020 Annual Report and Accounts.

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.

TSUK is Tata Steel's principal operating company in the UK and an indirect material subsidiary of the TSE and TSL Groups. Oversight of the TSE Group, including TSUK, is carried out at TSE Board level which is responsible for setting strategic priorities, supporting stakeholder engagement including communication with TSUK's ultimate parent company, TSL, in India. The TSUK Board reports to and requests approval for certain reserved matters from the TSE Board, as appropriate. As is usual with large companies, the TSE Board delegates authority for day-to-day management of the TSE Group to an Executive Committee, led by the Chief Executive Officer, who set, approve and manage the execution of business strategy. To ensure alignment with the

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legal entity framework, all members of the TSE Executive Committee are directors of TSUK, together with the TSE Finance Director – Corporate. In addition to being directors of the TSUK Board, two of the TSE Executive Committee members (Chief Executive Officer and Chief Financial Officer) are directors of the TSE Board.

Certain governance responsibilities relevant to the TSE Group, including TSUK, are delegated by the TSE Board to Board committees (Audit, Remuneration, Pensions) which support the Board in carrying out its duties. The committees comprise TSE executive and non-executive directors to provide appropriate external perspective and challenge. A TSE Board Covid-19 committee was established in April 2020 to support management response to the global coronavirus pandemic.

The TSE Group promotes high standards of corporate governance throughout the organisation and the TSUK Board upholds these standards. The TSUK Board holds meetings as and when required to consider the impact of key proposals and material matters affecting TSUK and its subsidiaries. Since March 2020, the TSUK Board has been meeting on a bi-monthly basis to review, among other things, the impact of Covid-19 on the Company.

New directors inducted into the Company are made aware of their directors' duties, including section 172(1) of the Companies Act, 2006. Induction materials are refreshed and made available to all TSUK directors via a Board portal. The TSUK Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society. The Board recognises that given the complexity of the TSUK and TSE Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSUK Board have taken decisions in the year that it believes best support TSUK's strategic objectives.

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

Each year, the TSUK Board approves an Annual Plan for the TSUK Group. Annual Plan and capital allocation are monitored at TSE Group level throughout the year through detailed review of operational and financial performance.

The Board reviews proposals for key matters affecting TSUK and its subsidiaries, for example, health, safety and environmental matters, pensions matters, liquidity and potential divestments and restructuring. Certain decisions also require endorsement and reporting to TSE and TSL Boards. As set out in the Corporate Governance statement on pages 11 - 15, any Board proposal is required to include detailed criteria to inform directors in their decision making.

During 2019/20, the TSUK Board has supported a TSE Transformation programme which is focused on long term financial stability and sustainable value growth. To aid the TSE Group's objective of long term financial independence, in September 2019, the TSUK Board approved debt restructuring including the issuance of new equity in TSUK. In December 2019, the TSUK Board approved arrangements in relation to a new Senior Facilities Agreement which completed in February 2020 and in relation to which no repayment is required for 5 years.

As a governance and risk mitigation measure, in 2019, the TSUK Board has approved a rationalisation programme to simplify the corporate structure which resulted in the members voluntary liquidation and/or dissolution of a number of TSUK subsidiaries.

(b) The interests of the company's employees

Disclosures in relation to TSUK's employees are set out in this Strategic Report on pages 3 - 6 and in the Corporate Governance statement on pages 11 - 15.

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

In 2020, Covid-19 resulted in a new way of working for many employees who were either furloughed or working remotely. TSUK engagement with employees has increased to ensure

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that even though employees may be isolated they do not feel alone or excluded and there has been enhanced communication throughout the organisation including CEO videos, emails and bringing teams together online.

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

Succession planning and development of senior management to support the long term objectives of the TSE Group, including TSUK, is carried out at TSE Executive Committee and TSE Board level. TSUK has established processes in place for performance reviews and employee appraisals.

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

The TSUK Board has regard to stakeholder relationships in its decision making.

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

Further information can be found in the Corporate Governance statement under Principle 6 on pages 11 – 15.

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

The TSUK Board is aware of the impact of steel manufacturing on the environment and the communities in which TSUK operates. Environmental performance is reviewed at TSE Group level by the TSE Executive Committee and TSE Board. A key ambition is that TSUK should be carbon neutral by 2050. This is an effort that concerns the whole of society and the steel industry needs a positive industrial climate to be able to make the large investments required to become carbon-neutral.

TSUK is committed to minimising the environmental impact of its operations through the systematic implementation of environmental control and through continuous improvement in environmental performance. All TSUK's manufacturing operations are independently certified as meeting the international environmental management system standard, ISO 14001:2015. Furthermore, almost all products manufactured in the UK are independently certified as meeting the requirements of the sustainable sourcing standard, BES6001.

TSUK is a leading player in the South Wales Industrial Decarbonisation Cluster, a network to make industries work together to develop shared decarbonisation infrastructure and to find mutual industrial benefits. Linked to this, the Reduced Industrial Carbon Emissions ('RICE') initiative is a £9.2 million partnership in South Wales supported by the Group. It seeks to draw on world-class expertise in order to reduce CO₂ emissions from large and heavy equipment and facilities for a stronger and greener economy. Backed by £5.9m worth of EU funding, RICE is working with local supply chain companies to test how CO₂ produced from heavy industrial processes can be used to make high value products and chemicals, using a range of carbon capture and utilisation ('CCU') techniques. The technologies being explored include the production of green hydrogen, which can be used to fuel cars, other modes of transport, and energy production processes.

As a major employer, TSUK acts as a cornerstone for local businesses. TSUK also supports a number of community initiatives working under a "Future Generations" theme including Kids of Steel. TSUK further supports a Women in Steel initiative and measures to combat poverty and deprivation.

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

The TSUK Board is committed to maintaining the reputation of TSUK 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 11 - 15. 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.

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TSUK expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. Control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct are reviewed and approved at TSE Group level. TSE has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy which are applicable to TSUK. TSUK Board directors, senior management and relevant employees are required to undertake compliance training and assessments.

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

Following its acquisition by Tata Steel in 2007, Corus re-registered as a private company, and subsequently rebranded as Tata Steel Europe in 2010. TSUK's ultimate parent company is TSL, a listed company in India.

Following a Regulated Apportionment Arrangement in 2017, in respect of which the British Steel Pension Scheme (BSPS) separated from TSUK and a number of affiliated companies, and a further exercise in which all BSPS members could opt to transfer to a new scheme or remain in the BSPS and transfer to the Pension Protection Fund (PPF), non-controlling minority interests in TSUK are held by Open Trustees Limited on behalf of the PPF and the BSPS Trustee on behalf of the new scheme. Following the debt restructuring in 2019 and subsequent equity issuances, this minority interest has been diluted to less than 0.01% of the rights to share in distributions. TSUK provides information to the minority shareholders in accordance with the terms of the shareholders agreement.

TSUK has mechanisms in place for reporting to the Executive Committee, TSE and TSL boards.

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



S. Biswas

Director

Registered Office:

30 Millbank,

London,

SW1P 4WY

26 August 2020

C. Directors' report

The Board

The directors of the Company are listed on page 2.

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 Company (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 (2018/19: 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 auditor of the ultimate parent company, TSL.

Going concern

The directors have assessed the future funding requirements of the Company and have compared these funding requirements to the level of borrowing facilities which are assumed to be available, including working capital facilities. The Company is part of the Tata Steel Europe Limited ('TSE') group which is financed in part through working capital support provided by T S Global Procurement Pte Limited ('Proco'), a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the TSE group and the operations of the TSE group's subsidiaries, including the Company, by way of a non-binding letter of parental support.

In previous years, the Company has benefitted from the financial support provided by Proco and the TSE group, including, in 2019/20, the conversion of a significant amount of debt to equity, further equity injections, and continued access to working capital facilities.

In March 2020, the Company first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Company has taken steps to respond to the financial consequences of the reduced steel demand by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In addition, TSUK is currently engaged in constructive discussions with the UK government around a bespoke support package for the Company.

The directors have considered a number of possible financial scenarios ranging in severity depending on how quickly the general economy, and demand for steel, recovers from the effects of the COVID-19 pandemic. Under all scenarios, the directors believe that the Company has access to adequate liquidity given the support undertaking provided by Proco described above and a reasonable prospect of securing additional government support. However, the severity and length of the downturn in steel demand in Europe remains unpredictable due to the unprecedented nature of the COVID-19 pandemic. Therefore the financial projections of the Company, and the effect on the Company's liquidity, are difficult to predict with a high level of certainty.

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For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the impact of the COVID-19 pandemic on the future funding requirements of the Company which may cast significant doubt on the Company'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 were unable to continue as a going concern.

Corporate Governance

For the year ended 31 March 2020, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018 and available on its website). These new corporate governance reporting requirements apply to companies reporting for financial years starting on or after 1 January 2019.

Principle 1 – Purpose and Leadership

TSUK is Tata Steel's principal operating company in the UK and an indirect material subsidiary of the TSE and TSL Groups. As a material subsidiary of TSE, oversight of TSUK and other the TSE Group companies is carried out by the TSE Board, which is also responsible for setting and reviewing strategic priorities, to which TSUK aligns, and monitoring performance. The TSE Board delegates authority for day to day management of the TSE Group's affairs to the TSE Executive Committee all of which are Board directors of TSUK together with TSE Finance Director-Corporate.

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

TSE's vision is striving to be the global steel industry benchmark for value creation and corporate citizenship. TSE's

mission is to build the leading European steel business that is sustainable in every sense which: delivers value to its shareholder; partners with customers and suppliers to innovate, produce and deliver steel products and services in a responsible way; and empowers its people and engages with its communities.

TSE has a guiding strategic framework, approved by the TSE Board in May 2017 which sets out five key strategic priorities for the company which are Customer Focus; Value Chain Excellence; Responsible Steel; Innovation; and Leadership, People, and Culture.

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

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

TSE's purpose, values, vision, mission, strategy and key messages are communicated to the Group through internal communications, senior manager updates, senior leadership conferences, CEO videos and Town Hall briefings. More detailed information relating to TSE's strategy and values can be accessed on the TSE website <https://www.tatasteeleurope.com/en/about-us/strategy>.

C. Directors' report

Principle 2 – Board Composition

The TSUK Board comprises seven directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSUK operates. The TSE Chief Financial Officer is the TSUK Chairperson. TSUK does not have a Chief Executive Officer as this role is carried out at TSE Group level, however, the TSE Chief Executive Officer is also a director on the TSUK Board. The TSE Chief Executive Officer and TSE Chief Financial Officer are also TSE Board directors. The size and structure of the TSUK Board is appropriate for the Company.

Day-to-day management of the TSE Group's affairs, including TSUK, is carried out by the TSE Executive Committee. A biography of each TSE Executive Committee member can be found on the TSE website at <https://www.tatasteeleurope.com/en/about-us/leadership/executive-committee>

The TSUK Board has representation from different ethnic backgrounds. The TSUK Board has one woman director and the Company Secretary is also female. There is also female representation at other senior management levels. The TSUK Board and TSE Executive Committee always bear in mind the need to take steps to further enhance the diversity of the TSE Group.

The TSE Group does not have its own Nominations Committee as this is dealt with at TSL level. On appointment to the TSE Executive Committee, members are also appointed to the TSUK Board. Any TSUK subsidiary appointments are also required to be considered by the TSE Executive Committee for management approval.

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

A TSUK Board effectiveness review will be undertaken in 2020. Previously, effectiveness reviews have been carried out at TSE Executive Committee and TSE Board levels.

Principle 3 – Directors responsibilities

The TSUK Board convenes meetings as and when required to discuss material matters affecting TSUK and its subsidiaries, including health, safety and environmental

matters, pension matters, liquidity and key commercial and investment decisions. Since March 2020, the TSUK Board has been meeting bi-monthly to review the impact of Covid-19 on the Company, financial performance and any other significant items. Directors' interests, if any, are reported at each TSUK Board meeting.

Governance oversight is provided at TSE Group level and, there are established TSE Audit, Remuneration and Pensions Board committees, each 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 who is also a non-executive director of TSE. In addition, there is a TSE Health, Safety and Environment Forum and a TSE Process Safety Steering Committee both chaired by the TSE Chief Executive Officer and a TSE Occupational Health & Safety Committee chaired by the TSE Chief Technical Officer (a TSUK Board director). In April 2020, the TSE Board established a TSE Board Covid-19 Committee to facilitate and support the management of TSE during the global coronavirus pandemic. This Committee includes the TSE Chief Executive Officer and TSE Chief Financial Officer who are also TSUK directors.

The TSE Executive Committee receive regular and timely information on all key aspects of the business including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. TSUK 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. The TSE internal audit function provides additional assurance to ensure systems and controls are operating effectively and that the quality and integrity of information is reliable.

In 2011, following the introduction of a new operating model, TSE deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. Each policy is sponsored by a TSE Executive

C. Directors' report

Committee member. The TSUK Board has adopted the Group Policy Framework as amended from time to time. A review of

each of the policies took place in 2019/20 and is currently ongoing.

Principle 4 – Opportunity and Risk

The TSUK Board considers for approval material and strategic projects, contracts and opportunities (as defined by value and duration). During 2019/20, the TSUK Board has supported a TSE Transformation programme focusing on long term financial stability and sustainable value growth.

The principal risks and uncertainties affecting TSUK are referred to in the Strategic Report and set out in more detail in the TSE Report and Accounts 2019/20. The TSE Executive Committee participates in a risk management workshop annually to assess and identify the Company's principal and emerging risks from a top down perspective. At TSE Group level, TSE has a Risk Review Committee (RRC) and an Integrity & Compliance Committee (I&CC) both of which comprise TSUK Board directors and cross-functional senior management and which meet on a quarterly basis. The RRC provides oversight of the Company's risk activities, identifies emerging risks, updates the risk register and reports to the TSE Executive Committee and to Tata Steel Group Risk Review Committee. Regular external assessments are undertaken to benchmark the risk maturity of the Company, with the next assessment expected in 2020/21, to continue in the alignment of risk reporting across the wider Tata Steel Group. TSUK continues to progress its ambition to become risk intelligent. The I&CC review compliance and asset protection matters, including whistleblowing, and report to the TSE Executive Committee quarterly and to the TSE Audit Committee half-yearly and by exception. In addition, TSE has a Cyber Response Team chaired by the Chief Technical Officer (a TSUK director).

Principle 5 – Remuneration

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

and fair. TSUK reward processes support talent management and career development.

A Remuneration Committee operates at TSE Group level, and which comprises at least one non-executive director, has as a principal objective to determine the remuneration policy for TSE Executive Committee members and TSE Board executive directors. The remuneration of TSE Board non-executive directors is a matter for the TSE Chairperson and for the parent company, TSL. The remit of the TSE Board Remuneration Committee is set out in terms of reference which are being updated in 2020 to reflect the Wates Principles. In determining remuneration packages, including any bonus or incentive arrangements, the TSE Board Remuneration Committee is required to have regard to the principles of good corporate governance. Targets are set against TSE Group performance, safety objectives and personal behaviours and performance and are cascaded by the TSE Executive Committee to senior managers in the TSE Group, including TSUK.

The Executive Director, Human Resources (a TSUK Board director and TSE Executive Committee member) is the principal source of information and internal advice for the TSE Board Remuneration Committee. External benchmarking is undertaken periodically to ensure alignment with good practice and the market.

TSUK has published its Gender Pay Gap Report for 2019, which is available on the TSE Website (<https://www.tatasteeleurope.com/en/sustainability/people>). Further information in relation to the Gender Pay Gap is available on page 5.

Principle 6 – Stakeholder Relationships and Engagement

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

The TSE Group, including TSUK prioritise the health, safety and wellbeing of employees, contractors and other partners

C. Directors' report

through a Health & Safety framework including zero harm and 5 key health and safety commitments. Through the PeopleLink system, TSUK offers online learning and

development courses accessible by employees, including a series of mental health modules as well as other health, safety and wellbeing training.

TSUK deploys a number of strategies for employee engagement, including Town Hall briefings allowing employees to receive performance updates and ask questions directly to TSE Executive Committee members. Annual Plan cascade meetings are also held to communicate the strategy and goals for the financial year ahead. Regular Employee Surveys, including pulse surveys, are conducted the results of which are used to drive areas for improvement for employee engagement.

TSUK also engages with trade unions as appropriate. In 2019/20 TSUK has engaged with employee representatives in relation to the employment and organisation aspects of the TSE Transformation Programme. It has also engaged with the UK trade unions to agree furlough arrangements under UK Government Coronavirus Job Retention Scheme due to the global pandemic. TSUK has also liaised with trade unions in relation to business closures and divestments.

The TSUK Board includes directors of the TSE Group parent company, TSE. TSUK is also required to report to the ultimate parent company, TSL on regulatory matters and on matters referred to in the TSE Group Policy Framework and in order to support the Tata Steel Group's overall corporate governance requirements.

Following the Regulated Apportionment Arrangement in 2017, which separated the British Steel Pension Scheme from TSUK and certain affiliated companies, TSUK has minority shareholders. TSUK communicates and provides information to the minority shareholders in accordance with the reporting requirements set out in the shareholders agreement.

TSUK Board directors and senior managers with the relevant areas of expertise liaise with Government bodies, including regulators, as appropriate.

The TSE Group has a Responsible Procurement Policy which underpins TSE's commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to TSUK and their respective entire supply chains. The policy has the following principles: health and safety, fair

business practices, environmental protection, human rights and local community development. A due diligence management system for the complete supply base has been implemented in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

Customer focus is a key strategic priority, the TSE Group's business model maximises direct engagement with customers which is aligned to market sectors and allows for continuous feedback. The TSE Group review and evaluate performance annually through a Customer Satisfaction survey.

As a leading steel producer, the TSE Group is dedicated to managing its operations responsibly and to continuous improvement. In October 2019, TSE received a "steelie" award for developing a Lifecycle Assessment tool to assess the sustainability of new product developments. In June 2020, TSE and TSL were recognised for the third consecutive year as Steel Sustainability Champions by the worldsteel association.

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

TSUK with local partners hosts a "Girls into STEM" event giving girls aged 12-14 the opportunity to visit the steel industry and learn about engineering as a career. TSE also holds various Tata Kids of Steel events across Europe in areas it operates which are of series of inclusive and fun sports activities. In 2020, TSE introduced a "Women in Steel" podcast series interviewing TSE women senior leaders to provide insights and encouragement to wider employees.

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

C. Directors' report

A review of the TSE Group's performance, processes and practices is carried out bi-annually as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set criteria. Leadership is a key category of the assessment

model and the assessors review the operation of governance in the TSE Group. The TBEM process enhances value for all stakeholders and contributes to market place success, maximises enterprise-wide effectiveness and capabilities and delivers organisational and personal learning. At the end of the assessment, feedback is provided to the TSE Board who then make recommendations for improvement. The TSE Group is currently preparing for its next TBEM assessment with a vision and roadmap towards being recognised as an industry leader by 2025.

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

TSUK'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 13.

Statement of engagement with employees

TSUK's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 13.

Information disclosed in the Strategic report

The following information has been disclosed in the strategic report:

- A review of the business for the year (see page 4);
- Factors likely to affect the Company's future development, performance and position (see page 5);
- Policies on employment of disabled persons, recruitment, training, employee involvement, communication and consultation (see page 5);
- Principal risks and uncertainties (see page 5);
- Research & development activities (see page 6);
- Particulars of any events affecting the Company which have occurred since the end of the financial year (see page 6);and

- An indication of exposure to price, credit, liquidity and cash flow risk (see page 6).

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



S. Biswas

Director

Registered Office:

30 Millbank,

London,

SW1P 4WY

26 August 2020

D. Directors' responsibilities statement on the Company's financial statements

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

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

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

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

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

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



S Biswas
Director

Registered Office:

30 Millbank,
London,
SW1P 4WY
26 August 2020

E. Independent auditors' report to the members of Tata Steel UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tata Steel UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts 2020 (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; the Presentation of accounts and accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the company 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 company's ability to continue as a going concern. The impact of the COVID-19 global pandemic will require Tata Steel UK Limited to access parental company support in order to meet its obligations as they fall due in the absence of securing alternative financing.

TS Global Procurement Company Pte Ltd has issued a letter to Tata Steel Europe Limited and its subsidiaries, including the company, undertaking to provide working capital and/or other cash support up to a specified amount which exceeds the amount forecast as being required by Tata Steel Europe Limited and its subsidiaries over the next twelve months. The letter states that it is non binding to the future conduct of TS Global Procurement Company Pte Ltd or Tata Steel Limited. Accordingly, there can be no certainty that the funds required by Tata Steel Europe Limited and its subsidiaries will in fact be made available. These conditions, along with the other matters explained in the Basis of preparation section included within the "Presentation of accounts and accounting policies" to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

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

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

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

E. Independent auditors' report to the members of Tata Steel UK Limited

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2020 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 company and its 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 on the Company's financial statements, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs

(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
26 August 2020

F1. Income statement

For the financial year ended 31 March 2020

	Note	Before Exceptional Items £m	Exceptional Items (Notes 2, 3, 4 and 5) £m	Total after Exceptional Items £m
Revenue	1	2,143	-	2,143
Operating costs excluding restructuring, impairment and disposals		(2,356)	-	(2,356)
Restructuring, impairment and disposals		(280)	(463)	(743)
Total operating costs	2	(2,636)	(463)	(3,099)
Operating loss		(493)	(463)	(956)
Income from subsidiaries and joint ventures	5	4	534	538
Profit before interest and taxation		(489)	71	(418)
Finance costs	6	(170)	-	(170)
Finance income	6	5	-	5
Loss before taxation		(654)	71	(583)
Taxation	7	127	-	127
Loss after taxation		(527)	71	(456)

For the financial year ended 31 March 2019

	Note	Before Exceptional Items £m	Exceptional Items (Note 4) £m	Total after Exceptional Items £m
Revenue	1	2,407	-	2,407
Operating costs excluding restructuring, impairment and disposals		(2,541)	-	(2,541)
Restructuring, impairment and disposals		(23)	(4)	(27)
Total operating costs	2	(2,564)	(4)	(2,568)
Operating loss		(157)	(4)	(161)
Income from subsidiaries and joint ventures	5	1	-	1
Profit before interest and taxation		(156)	(4)	(160)
Finance costs	6	(219)	-	(219)
Finance income	6	4	-	4
Loss before taxation		(371)	(4)	(375)
Taxation	7	(10)	-	(10)
Loss after taxation		(381)	(4)	(385)

All references to 2020 in the Financial statements, the presentation of accounts and accounting policies and the related Notes 1 to 31 refer to the financial year ended 31 March 2020 or as at 31 March 2020 as appropriate (2019: the financial year ended 31 March 2019 or as at 31 March 2019).

Notes and related statements forming part of these accounts appear on pages 32 to 52.

F2. Statement of comprehensive income

For the financial year ended 31 March

	Note	2020 £m	2019 £m
Loss after taxation		(456)	(385)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans	27	674	(65)
Income tax relating to items that will not be reclassified	7	(128)	10
Items that may be reclassified subsequently to the income statement:			
Gains arising on cash flow hedges	23	(8)	3
Income tax relating to items that may be reclassified		1	-
Other comprehensive income/(loss) for the year net of tax		539	(52)
Total comprehensive income/(loss) for the year		83	(437)

Notes and related statements forming part of these accounts appear on pages 32 to 52.

F3. Balance sheet

As at 31 March

	Note	2020 £m	2019 £m
Non-current assets			
Intangible assets	8	29	58
Property, plant and equipment	9	436	503
Investments and loans to subsidiary and fellow group undertakings	10	368	831
Other non-current assets	11	18	35
Retirement benefit assets	27	2,916	2,205
		3,767	3,632
Current assets			
Inventories	13	431	575
Trade and other receivables	14	245	163
Cash and short term deposits	15	64	70
Current tax asset	18	2	1
		742	809
TOTAL ASSETS		4,509	4,441
Current liabilities			
External borrowings	16	244	7
Inter-group borrowings	16	131	626
Trade and other payables	17	1,569	2,019
Current tax liabilities	18	10	9
Short term provisions and other liabilities	19	19	32
		1,973	2,693
Non-current liabilities			
Inter-group borrowings	16	342	2,003
External borrowings	16	110	9
Retirement benefit obligations	27	8	9
Provisions and other liabilities	19	90	110
Other non-current liabilities	20	15	7
Deferred income	21	2	1
		567	2,139
TOTAL LIABILITIES		2,540	4,832
NET ASSETS/(LIABILITIES)		1,969	(391)
Equity			
Called up share capital	22	2,242	2,241
Share premium account		3,187	911
Capital redemption reserve		47	47
Hedging reserve		(4)	4
Accumulated losses		(3,503)	(3,594)
TOTAL EQUITY		1,969	(391)

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



S Biswas

Director

26 August 2020

Tata Steel UK Limited

Registered No: 02280000

Notes and related statements forming part of these accounts appear on pages 32 to 52.

F4. Statement of changes in equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Accumulated losses £m	Total equity £m
Balance as at 1 April 2018	2,241	777	47	1	(3,154)	(88)
Loss for the year	-	-	-	-	(385)	(385)
Other comprehensive income/(loss) for the year	-	-	-	3	(55)	(52)
Total comprehensive income/(loss) for the year	-	-	-	3	(440)	(437)
Issue of ordinary shares	-	134	-	-	-	134
Balance as at 31 March 2019	2,241	911	47	4	(3,594)	(391)
Loss for the year	-	-	-	-	(456)	(456)
Other comprehensive income/(loss) for the year	-	-	-	(8)	547	539
Total comprehensive income/(loss) for the year	-	-	-	(8)	91	83
Issue of ordinary shares	1	2,276	-	-	-	2,277
Balance as at 31 March 2020	2,242	3,187	47	(4)	(3,503)	1,969

The Company issued 16,061,056 Ordinary shares on 30 September 2019, 3,500,000 Ordinary shares were issued on 31 December 2019, 1,000,000 Ordinary shares were issued on 26 March 2020 and a further 2,200,000 Ordinary shares were issued on 31 March 2020. All shares issued have a nominal value of 1p each (Note 22).

Notes and related statements forming part of these accounts appear on pages 32 to 52.

F5. Presentation of accounts and accounting policies

I Basis of preparation

TSUK is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006. The functional and presentational currency of the Company is sterling.

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The following relevant exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- (i) IFRS 7, 'Financial instruments: Disclosures';
- (ii) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' in relation to the disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities;
- (iii) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of certain assets (including intangible assets and property, plant and equipment);
- (iv) IAS 7, 'Statement of cash flows';
- (v) IAS 8, 'Accounting policies, changes in accounting estimates and errors' in relation to the disclosure of standards not yet effective; and
- (vi) IAS 24, 'Related party disclosures' requirements to disclose key management compensation and to disclose related party transactions with Tata Steel group companies.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments measured at fair value through profit and loss and in accordance with the Companies Act 2006.

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2019 except for the application of new International Financial Reporting Standards (IFRS) 16 which has been applied as a difference in accounting policy in the current year.

The Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The directors have assessed the future funding requirements of the Company and have compared these funding requirements to the level of borrowing facilities which are assumed to be available, including working capital facilities. The Company is part of the Tata Steel Europe Limited ('TSE') group which is financed in part through working capital support provided by T S Global Procurement Pte Limited ('Proco'), a subsidiary of TSL, under arrangements which have been authorised, and are supported, by TSL. TSL has approved the continued provision of working capital support to the TSE group and the operations of the TSE group's subsidiaries, including the Company, by way of a non-binding letter of parental support.

In previous years, the Company has benefitted from the financial support provided by Proco and the TSE group, including, in 2019/20, the conversion of a significant

amount of debt to equity, further equity injections, and continued access to working capital facilities.

In March 2020, the Company first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Company has taken steps to respond to the financial consequences of the reduced steel demand by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In addition, TSUK is currently engaged in constructive discussions with the UK government around a bespoke support package for the Company.

The directors have considered a number of possible financial scenarios ranging in severity depending on how quickly the general economy, and demand for steel, recovers from the effects of the COVID-19 pandemic. Under all scenarios, the directors believe that the Company has access to adequate liquidity given the support undertaking provided by Proco described above and a reasonable prospect of securing additional government support. However, the severity and length of the downturn in steel demand in Europe remains unpredictable due to the unprecedented nature of the COVID-19 pandemic. Therefore the financial projections of the Company, and the effect on the Company's liquidity, are difficult to predict with a high level of certainty.

For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the impact of the COVID-19 pandemic on the future funding requirements of the Company which may cast significant doubt on the Company'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 were unable to continue as a going concern.

F5. Presentation of accounts and accounting policies

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	Leases	1 Jan 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 Jan 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 Jan 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 Jan 2019
IFRIC 23 (Revised Interpretation)	Uncertainty over Income Tax Treatments	1 Jan 2019
IFRS 3, IFRS 11, IAS 12 & IAS 23 (Amendments)	2015-2017 Annual Improvements cycle	1 Jan 2019

* periods commencing on or after

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

IFRS 16 'Leases' replaces the provisions of IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement Contains a Lease' and specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value. IFRS 16 'Leases' is effective for annual periods that begin on or after 1 January 2019.

The Company has adopted IFRS 16 'Leases' from 1 April 2019 using the modified retrospective transition approach with right-of-use assets measured at an amount equal to the lease liability recognised at date of adoption and accordingly was adopted by the Company from the start of the current year being 1 April 2019. Comparatives for the 2019 financial period have not been restated and continues to be reported under IAS 17 and IFRIC 4.

IFRS 16 requires an intermediate lessor to account for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Consequently, the Company reclassified some of its sublease agreements as finance leases following the adoption of IFRS 16 on 1 April 2019. The sublease arrangements were measured at the amount equal to the associated lease liabilities.

The Company recognised right-of-use assets of £67m (after deducting impairments of £8m), sublease investments of £31m and lease liabilities of £106m on adoption.

Transition approach and exemptions

The Company has chosen the following:

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

On application of IFRS 16, the Company has applied the following exemptions;

- Exclude short term leases (lease term of 12 months or less); and
- Exclude low-value assets (valued at less than £10,000 such as personal computers and office equipment).
- Exclude intangible assets.

Measurement of lease liabilities

	2020
	£m
IAS 17 operating lease commitment as at 31 March 2019	154
Short-term leases recognised on a straight-line basis as expense	(13)
Service/non-lease components of lease contracts	(13)
Adjustments as a result of a different treatment of extension and termination options	4
Undiscounted operating lease commitments as at 1 April 2019	132
Effect of discounting using the lessee's incremental borrowing rate as at 1 April 2019 of 6.5%	(26)
IFRS 16 lease liability as at 01 April 2019	106

III Use of estimates and critical accounting judgements

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

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the accounts; and
- reported amounts of income and expenses during the period.

Actual results could differ from those estimates. The most significant techniques for estimation are described in the accounting policies below.

Critical accounting judgments and the key sources of estimation or uncertainty in applying the Company's accounting policies arise in relation to retirement benefits, provisions created for rationalisation and related costs, environmental remediation and legal claims, recoverability of loan receivables, classification of exceptional items and impairment of property, plant and equipment and intangible assets. Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

F5. Presentation of accounts and accounting policies

The Company's retirement benefit obligations are subject to a number of judgements including discount, inflation and mortality rates. Significant judgement is required when setting these criteria and a change in each of these assumptions would have a significant impact on the amounts recorded within the Company's balance sheet and income statement. The Company sets these judgements based on previous experience and third party actuarial advice. The Company's main defined benefit scheme, the BSPS, is in a net surplus position at the balance sheet date on an IAS19 basis, which is not immediately realisable. The final amounts realised may differ from those recognised within the balance sheet. Further details on the Company's retirement benefit obligations, including a sensitivity analysis of key judgements are included within Note 27.

Estimates in calculating provisions for rationalisation and related costs, environmental remediation and legal claims are based on previous experience and third party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of those costs. Further details on the Company's redundancy and rationalisation provisions can be found in Notes 3 and 17.

Judgement has been exercised by the Company when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Further information surrounding exceptional items can be found in Notes 3 and 27.

The Company has a number of loan balances, both receivables and payables, with other entities within the TSE Group. Judgement is required in determining whether loan receivables are recoverable. Where indications exist that loan receivables may not be recoverable, including an assessment of events occurring after the balance sheet date, then appropriate provisions are charged to the income statement to write down the receivables to the recoverable amount in line with the requirements of IFRS 9.

A significant part of the Company's capital is invested in property, plant and equipment and intangible assets. Determining whether these assets are impaired requires an estimation of value in use of the CGU to which the asset relates. Value in use calculations require an estimation of future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The present value is most sensitive to changes in the discount rate used in the value in use models. Within 2020, the present value is also sensitive due to the financial impact of the COVID-19 pandemic. Further details on the Company's impairment review, key assumptions, and sensitivity analyses are set out in notes 8, 9 and 10. In respect of impairment of investments in the Company accounts, judgement is required around the relevant enterprise value of TSUK's investments.

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

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

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

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

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

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

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

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

F5. Presentation of accounts and accounting policies

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

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

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

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

(c) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for

using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(d) Retirement benefit costs

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

For defined benefit retirement schemes the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at least triennially and updated at each reporting period end. The Company applies IAS 19 'Employee Benefits' (revised in 2011) to recognise all actuarial gains and losses directly within retained earnings, presenting those arising in any one reporting period as part of the relevant statement of comprehensive income. In applying IAS 19, in relation to retirement benefits costs, the current service cost and net interest cost have been treated as a net expense within employment costs. Past service cost is recognised immediately.

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

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined benefit 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 2020 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 Company has a present legal or

F5. Presentation of accounts and accounting policies

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.

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

(f) Other non-current investments and loan receivables

Non-current investments and loan receivables are stated at cost. Provisions are made if events or circumstances indicate that the carrying amount may not be recoverable. Income from non-current investments comprises dividends declared up to the balance sheet date and, where relevant, is shown before deduction of overseas withholding taxes.

V Other accounting policies

(a) 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 Company must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

classified as held for sale are presented separately from other liabilities in the balance sheet.

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

Where a disposal group represents a separate major line of business or geographical area of operation, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, then it is treated as a discontinued operation. The result of the discontinued operation are presented 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. These have been eliminated against continuing operations.

(b) Revenue

The Company's revenue is primarily derived from the single performance obligation to transfer steel products under arrangements in which the transfer of control of the products and the fulfilment of the Company's performance obligation occur at the same time.

Revenue from the sale of goods is recognised when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

(i) Sale of goods

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

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

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consideration is unconditional because only the passage of time is required before the payment is due.

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(ii) Rendering of services

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

1) Bill and Hold Arrangements

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

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

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

2) Shipping and Handling Activity

Some shipping arrangements result in the Company incurring the costs to deliver goods to the named port of destination (which include insurance and freight) which are considered to be distinct performance obligations under IFRS 15 as control of the goods passes at the port of shipment but the seller still has a separate obligation to arrange and pay for the freight and/or insurance to the port of destination.

The majority of steel supply contracts will include charges in relation to shipping and handling. There may be a separate fee for shipping and handling costs, or shipping and handling might be implicit in the price per ton of the product.

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

3) Hire Work (Customer Own Material Processing)

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

(c) 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.

(d) Insurance

Insurance premiums in respect of insurance placed with third parties are charged to profit and loss in the period to which they relate.

In addition, the Company provides for insurance charges for historic industrial exposures of personnel. These provisions are subject to regular review and are adjusted as appropriate; the value of final insurance settlements is uncertain, as is the timing of expenditure.

(e) Interest

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.

(f) 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 Company enters into forward contracts and options (see (g) below for details of the Company's accounting policies in respect of such derivative financial instruments). In preparing the financial statements, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. The impact of revaluations of foreign currency loans is included within operating costs.

(g) Financial instruments

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

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

(i) Financial assets

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

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

Classification of financial assets

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

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

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

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

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

(ii) Impairment of financial assets

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

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. For all other financial instruments which includes intercompany receivables, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value

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

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

(iv) Derivative financial instruments and hedge accounting

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

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

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

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

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

(v) Embedded derivatives

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

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

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

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

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

(h) Intangible assets

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

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

- (i) completion of the development is technically feasible;

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

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

(i) Leases

As a lessee, the Company 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 Company 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 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 Company uses the incremental borrowing rate.

Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension options, if the Company is reasonable certain to exercise the option.

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 income statement in the period in which the events or conditions which trigger those payments occur.

As a lessor, the Company 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

F5. Presentation of accounts and accounting policies

rights retained in the underlying asset is managed via safeguards within the sub lease contract and vetting and monitoring of lessees.

(j) 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.

(k) 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.

F6. Notes to the financial statements

For the financial year ended 31 March

1. Revenue

The Company's revenue and loss before taxation all arose from one class of business. An analysis of revenue by destination is shown below:

	2020 £m	2019 £m
UK	1,277	1,450
Europe excluding UK	793	815
Rest of world	73	142
	2,143	2,407

2. Operating costs

	2020 £m	2019 £m
Costs by type:		
Raw materials and consumables	1,219	1,319
Maintenance costs (excluding own labour)	226	230
Other external charges (including fuels & utilities, hire charges and carriage costs)	360	427
Employment costs (Note 4)	376	361
Depreciation, amortisation and impairment (Notes 3,8,9 & 10)	326	51
Other operating items (including rents, rates, insurance and general expenses)	108	206
Impairment of investment in subsidiaries (Note 10)	459	-
Changes in inventory of finished goods and work in progress	28	(7)
Own work capitalised	(2)	(2)
Profit on disposal of property, plant and equipment	(2)	(15)
Loss/(profit) on disposal of subsidiaries	1	(2)
	3,099	2,568

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Exceptional items £m	Total £m
The above cost in 2020 includes:				
Raw materials and consumables	1,219	-	-	1,219
Maintenance costs (excluding own labour)	226	-	-	226
Other external charges (including fuels & utilities, hire charges and carriage costs)	360	-	-	360
Employment costs (Note 4)	355	18	3	376
Depreciation, amortisation and impairment (Notes 3,8,9 & 10)	71	255	-	326
Other operating items (including rents, rates, insurance and general expenses)	99	9	-	108
Impairment of investments in subsidiaries	-	-	459	459
Changes in inventory of finished goods and work in progress	28	-	-	28
Own work capitalised	(2)	-	-	(2)
Profit on disposal of property, plant and equipment	-	(2)	-	(2)
Loss on disposal of subsidiaries	-	-	1	1
	2,356	280	463	3,099

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

F6. Notes to the financial statements

	2020 £m	2019 £m
The above costs are stated after including:		
Amortisation of intangible assets (Note 8)	7	6
Impairment of intangible assets (Note 8)	-	9
Depreciation of owned assets (Note 9)	36	26
Impairment losses related to property, plant and equipment (Note 9)	249	9
Impairment losses related to spares (Note 9)	6	1
Depreciation of right of use assets	28	-
Operating lease rentals:		
Plant and machinery	9	12
Leasehold property	2	15
Expenses relating to short-term leases	2	-
Expenses relating to variable lease payments not included in lease liabilities	18	-
Income from subleasing right of use assets	(7)	-
Provision for emission rights deficit (Note 19)	2	68
Provision for bad and doubtful debts charge	1	-
Differences in exchange rates	(2)	-
Costs of research and development (gross)	9	11
Recoveries on research and development	(6)	(14)

The Company recognised £26m depreciation of right of use assets as a result of the adoption of IFRS 16 Leases during 2020.

The analysis of auditors' remuneration is as follows:

	2020 £m	2019 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.4	0.4

The fees above reflect PricewaterhouseCoopers LLP's provision of services during the year ended 31 March 2020. Fees payable to PricewaterhouseCoopers LLP and its associates for non-audit services to the Company are not disclosed because the financial statements of TSE disclose such fees on a consolidated basis.

3. Net restructuring and impairment costs

	2020 £m	2019 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	14	3
Pension restructuring costs (Note 27)	4	-
Impairment losses related to property, plant and equipment (Note 9)	249	9
Impairment losses related to spares (Note 9)	6	1
Impairment losses related to intangible fixed assets (Note 8)	-	9
Other rationalisation costs	9	1
Exceptional item - Impairment losses related to investment in subsidiaries (Note 10)	459	-
Total net restructuring and impairment costs	741	23

F6. Notes to the financial statements

4. Employees

	2020 £m	2019 £m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	319	319
Social security costs	33	34
Other pension costs (iv)	3	1
Exceptional pensions items (Note 27)	3	4
As included in operating costs	358	358
Net redundancy and related costs (included within restructuring costs)	14	3
Pension restructuring costs (Note 27)	4	-
	376	361

(i) The average number of employees during the year for operations was 8,386 (2019: 8,483). This total includes operations staff of 7,043 (2019: 7,190), sales and marketing staff of 402 (2019: 429) and other staff of 941 (2019: 864).

(ii) Exceptional pension items includes a net pension charge of £3m (2019: £4m) in respect of charges associated with the RAA see note 27).

(iii) The emoluments of Mr NK Misra, Mr S Biswas, Mr JLM Fischer and Dr H Adam are paid by other companies within the TSE Group which make no recharge to TSUK.

Mr NK Misra, Mr S Biswas, Mr JLM Fischer and Dr H Adam were directors of TSE and a number of fellow subsidiaries during 2020. It is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, their emoluments are disclosed in the aggregate of the directors' emoluments in the financial statements with which they have their primary employment contracts.

The remaining directors of TSUK are also executives of TSE. However, it is not practicable to allocate their emoluments between their services as executives of TSE and their services as directors of TSUK. The remuneration of the highest paid director is disclosed within the financial statements of TSE.

Retirement benefits accrued under defined benefit schemes to zero (2019: zero) individuals who were directors during the period.

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

	2020 £m	2019 £m
Other defined benefit scheme costs (Note 27)	(38)	(41)
Other defined contribution scheme costs (Note 27)	45	44
Costs for setting up the new BSPS scheme borne directly by the Company	3	2
	10	5

5. Income from subsidiaries and joint ventures

	2020 £m	2019 £m
Dividends from joint ventures (Note 28)	-	1
Dividends from subsidiaries	4	-
Exceptional item - Dividends from subsidiaries (i)	534	-
	538	1

(i) During 2020, dividend income of £534m has been recognised in relation to dividends declared by subsidiary undertakings prior to their entry into voluntary liquidation.

F6. Notes to the financial statements

6. Financing items

	2020	2019
	£m	£m
Interest expense:		
Bank and other borrowings	6	6
Finance lease interest	9	1
Interest on loans from other group companies	55	55
Interest on loans from parent undertakings	53	87
Discount on disposal of trade debtors within purchase agreement with group company	47	70
Finance costs	170	219
Interest income:		
Interest receivable on loans from subsidiaries	-	(1)
Interest receivable from other group companies	(1)	-
Finance lease	(1)	-
Interest receivable on deferred proceeds	(3)	(3)
Finance income	(5)	(4)
	(165)	215

(i) The Company recognised £8m interest expense on finance leases as a result of the adoption of IFRS 16 Leases during 2020.

7. Taxation

	2020	2019
	£m	£m
Current year tax charge	1	2
Prior year tax credit	(1)	(2)
Deferred tax (credit)/charge (Note 12)	(127)	10
	(127)	10

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

	2020	2019
	£m	£m
Loss before taxation	(583)	(375)
Loss before taxation multiplied by the standard corporation tax rate of 19% (2019: 19%)	(111)	(71)
Effects of:		
Adjustments to current tax in respect of prior periods	(1)	(2)
Change in unrecognised losses	(2)	28
Other permanent differences	(13)	55
	(127)	10

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

	2020	2019
	£m	£m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	128	(10)
Revaluation of financial instruments treated as cash flow hedges	(1)	-
	127	(10)

During the year the exceptional items recognised within the Company were non-taxable transactions.

F6. Notes to the financial statements

8. Intangible assets

2020	Computer software £m	Patents and trademarks £m	Emission rights £m	Total £m
Cost as at 1 April 2019	228	4	24	256
Additions	2	-	-	2
Disposals	-	-	(24)	(24)
Cost as at 31 March 2020	230	4	-	234
Amortisation as at 1 April 2019	195	3	-	198
Charge for the period	7	-	-	7
Amortisation as at 31 March 2020	202	3	-	205
Net book value as at 31 March 2020	28	1	-	29
Net book value as at 31 March 2019	33	1	24	58

The remaining amortisation period for computer software is approximately 5 years (2019: 6 years).

(i) The Company recognised an impairment charge of nil (2019: £8m) against computer software and nil against patents and trademarks (2019: £1m).

9. Property, plant and equipment

2020	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost as at 31 March 2019	206	3,171	129	174	3,680
Adoption of IFRS 16	48	27	-	-	75
Cost or valuation as at 1 April 2019	254	3,198	129	174	3,755
Additions	68	8	16	86	178
Disposals	(2)	(6)	(7)	-	(15)
Transfer from assets in course of construction	2	79	1	(82)	-
Disposal of business	-	(5)	-	-	(5)
Cost as at 31 March 2020	322	3,274	139	178	3,913
Depreciation as at 31 March 2019	191	2,907	108	24	3,230
Adoption of IFRS 16	8	-	-	-	8
Depreciation as at 1 April 2019	199	2,907	108	24	3,238
Charge for the period	14	44	6	-	64
Impairment losses recognised during the period	-	239	3	7	249
Disposals	(2)	(6)	(6)	-	(14)
Disposals of business	-	(4)	-	-	(4)
Transfers from assets in course of construction	-	8	-	(8)	-
Depreciation as at 31 March 2020	211	3,188	111	23	3,533
Net book value as at 31 March 2020	111	86	28	155	380
Spares (net book value)	-	-	-	-	56
Net book value as at 31 March 2020	111	86	28	155	436
Net book value as at 31 March 2019	15	264	21	150	450
Spares (net book value)	-	-	-	-	53
Net book value as at 31 March 2019	15	264	21	150	503

Right of use asset balances in 2020 include assets recognised upon adoption of IFRS16 of £67m (cost of £75m net of impairment of £8m). In 2019, the Company only recognised right-of-use assets in relation to assets under IAS 17 and IFRIC 4. The additions to the right-of-use assets during the 2020 financial period were £77m.

F6. Notes to the financial statements

(i)

As at 31 March	2020
	£m
The net book value of land and buildings comprises:	
Freehold	13
Short leasehold	98
	111
Which may be further analysed as:	
Right of use assets not subject to operating leases:	
Cost	128
Accumulated depreciation	(30)
	98
Owned assets	13
	111

(ii)

As at 31 March	2020
	£m
The net book value of plant and machinery comprises:	
Right of use assets subject to operating leases:	
Cost	16
Accumulated depreciation	(8)
	8
Right of use assets not subject to operating leases:	
Cost	89
Accumulated depreciation	(76)
	13
Owned assets	65
	86

(iii)

As at 31 March	2020
	£m
The net book value of spares comprises:	
Cost	303
Accumulated depreciation and impairment losses	(247)
	56

The Company recognised a total impairment charge of £255m in the year (2019: £10m). Included within the impairment charge of £255m was £6m for spares (2019: £1m).

Property, plant and equipment was tested at 31 March 2020 for impairment at that date where indicators of impairment existed. The outcome of this test indicated that using a discount rate of 8.8% (2019: 8.2%) several of the Company's cash generating units ("CGUs") had a value in use which was lower than its carrying value. This resulted in an impairment of £229m to the Strip Products UK CGU, £18m to the Packaging Trostre CGU and a £4m impairment to the Tubes CGU. Also an impairment charge of £4m (2019: £10m) has been recognised in the current year against specific items of property, plant and equipment.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's CGUs and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the remaining property, plant and equipment at the Strip Products UK CGU which had a carrying value at 31 March 2020 of £318m after posting an impairment charge of £229m in 2020. An increase in the discount rate used for impairment testing of 1% would result in an increase of £88m in the impairment charge recognised in 2020 in the Strip Products UK CGU.

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

(iv) There was £nil (2019: £nil) borrowing costs capitalised in the period.

F6. Notes to the financial statements

10. Non-current investments

2020	Shares in subsidiary undertakings (i)	Loans to parent, subsidiary and fellow group undertakings (ii)	Interests in joint ventures and associates	Loans to joint ventures	Other investments (iii)	Sublease investments (iv)	Total
	£m	£m	£m	£m	£m	£m	£m
Cost at 31 March 2019	1,161	178	1	20	7	-	1,367
Adoption of IFRS 16	-	-	-	-	-	31	31
Cost or valuation at 1 April 2019	1,161	178	1	20	7	31	1,398
Additions	-	55	-	-	-	2	57
Exchange rate differences	-	-	-	-	-	1	1
Repayments	-	(102)	-	-	-	(16)	(118)
Change in classification (v)	-	29	-	-	-	-	29
Disposals	-	(50)	-	-	-	-	(50)
Cost at end of period	1,161	110	1	20	7	18	1,317
Provisions at 1 April 2019	440	75	1	20	-	-	536
Additions (vi)	459	-	-	-	-	-	459
Disposals	-	(46)	-	-	-	-	(46)
Provisions at end of the period	899	29	1	20	-	-	949
Net book value at 31 March 2020	262	81	-	-	7	18	368
Net book value at 31 March 2019	721	103	-	-	7	-	831

(i) The carrying values of the Company's investments are tested annually for impairment using an enterprise value ('EV') calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out into perpetuity. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, business disruption caused by the COVID-19 pandemic, and a discount rate of 8.8% (2019: 8.2%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The pre-tax discount rate is derived from the Group's WACC and the WACCs of its main European steel competitors adjusted for country specific risks where appropriate. The outcome of the test at 31 March 2020 resulted in no impairment.

(ii) Included in the above net book value of loans to parents, subsidiaries and fellow group undertakings at 31 March 2020 are loans of £63m (2019: £86m) which are non-interest bearing and have no fixed repayment date.

(iii) Included in other investments are preference shares acquired in relation to the divestment of former businesses.

(iv) During 2020, £31m of sublease investments were recognised as a result of IFRS16 adoption. These include subleases of two time charter vessels previously recognised as operating leases.

(v) £29m relates to amounts reclassified from inter-group borrowings.

(vi) During 2020, a provision against shares in subsidiary undertakings of £459m has been recognised in relation to dormant Subsidiary companies that were placed into liquidation. Prior to liquidation these companies balance sheets were cleared to a minimal net asset level and any remaining assets were transferred to the parent company by way of a dividend in specie.

11. Other non-current assets

As at 31 March	2020	2019
	£m	£m
Financial guarantees	-	7
Deferred proceeds	18	28
	18	35

Previously the Company was indemnified by Tata Steel UK Holdings Limited ('TSUKH') in respect of the guarantee it had provided as part of the debt raised under the old SFA by TSUKH on 19 December 2007 (see Note 20). Following the refinancing of the SFA on 4 February 2020 by Tata Steel Netherlands Holdings BV ('TSNH') this indemnity was no longer available to the Company and, as such, the asset in respect of this indemnity was charged to the income statement in 2020.

F6. Notes to the financial statements

12. Deferred tax

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

As at 31 March	2020 £m	2019 £m
Deferred tax assets	-	-
	-	-

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

2020	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2019	99	162	(331)	66	4	-
Credited/(charged) to income statement	73	85	(69)	39	(1)	127
Credited/(charged) to other comprehensive income	-	-	(128)	-	1	(127)
At 31 March 2020	172	247	(528)	105	4	-

2019	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2018	70	204	(313)	33	6	-
Credited/(charged) to income statement	29	(42)	(28)	33	(2)	(10)
Credited to other comprehensive income	-	-	10	-	-	10
At 31 March 2019	99	162	(331)	66	4	-

No deferred tax assets have been recognised at 31 March 2020 (2019: £nil). In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSUK Board approved budgets and forecasts. Following this evaluation, it was determined there would not be sufficient taxable income generated to realise the benefit of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of £2,341m (2019: £2,341m) which can be carried forward indefinitely.

The Finance Act 2016 which introduced legislation reducing the UK corporation tax rate at 1 April 2020 from 19% to 17% is reflected in the 31 March 2019 position. The government's later reversal of the legislation is reflected in the 31 March 2020 position.

Finance (No. 2) Act 2017 (substantively enacted 15 November 2017), which restricts the Company's ability to deduct interest in the UK and restricts the use of losses, is reflected in the deferred tax asset position at 31 March 2019 and 31 March 2020.

13. Inventories

As at 31 March	2020 £m	2019 £m
Raw materials and consumables	152	268
Work in progress	106	147
Finished goods and goods for resale	173	160
	431	575

The value of inventory above is stated after impairment for obsolescence and write-downs to net realisable value of £39m (2019: £27m).

F6. Notes to the financial statements

14. Trade and other receivables

As at 31 March	2020	2019
	£m	£m
Trade receivables (i)	64	7
Less: provision for impairment of receivables	(1)	(1)
	63	6
Amounts owed by immediate parent company	6	6
Amounts owed by parent undertakings	13	34
Amounts owed by group companies	47	49
Amounts owed by subsidiary undertakings	8	12
Derivative financial instruments (Note 23)	54	4
Derivative financial instruments owed by group companies (Note 23)	-	3
Other taxation	7	3
Prepayments	2	4
Deferred proceeds on sale of business	12	12
Other receivables	33	30
	245	163

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

(i) During the year, the non-recourse securitisation programme with Proco Issuer Pte Limited was fully unwound and subsequently terminated. This was replaced with a new non-recourse debtor securitisation programme with an external provider.

15. Cash and short term deposits

As at 31 March	2020	2019
	£m	£m
Cash at bank and in hand	59	65
Short term deposits	5	5
	64	70

16. Borrowings

As at 31 March	2020	2019
	£m	£m
Current:		
Intergroup:		
Amounts owed to parent undertakings (i)	86	583
Amounts owed to group undertakings	45	43
	131	626
External:		
Bank loans	200	-
Obligations under finance leases	44	7
	244	7
	375	633

F6. Notes to the financial statements

As at 31 March	2020	2019
	£m	£m
Non-current:		
Inter-group:		
Amounts owed to parent undertakings (i)	10	1,115
Amounts owed to fellow group companies	148	10
Amounts owed to subsidiary undertakings (ii)	184	878
	342	2,003
External:		
Obligations under finance leases	110	9
	110	9
	452	2,012
Total borrowings	827	2,645

(i) The reduction in the amounts owed to parent undertakings during 2020 is due to the conversion of this debt into equity. See further details in Note 22.

(ii) The reduction in the amounts owed to subsidiary undertakings is due to settlement of these loans either by mutually agreed waivers or settlement via declaration of dividends to TSUK by the counterparty.

The board of the Company granted a guarantee in relation to the debt raised as part of the SFA entered into by Tata Steel Netherlands Holdings BV in January 2020. This guarantee is supported by security over the assets of the Company.

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	£m	£m	£m	£m
Not later than one year	47	7	44	7
Later than one year but not more than five years	80	11	61	9
More than five years	54	-	49	-
	181	18	154	16
Less: future finance charges on finance leases	(27)	(2)	-	-
Present value of lease obligations	154	16	154	16

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

17. Trade and other payables

As at 31 March	2020	2019
	£m	£m
Trade payables	320	314
Amounts owed to group companies	970	1,285
Amounts owed to parent undertakings	190	242
Amounts owed to joint ventures (Note 28)	1	1
Amounts owed to subsidiaries	1	1
Other taxation and social security	12	13
Interest payable to parent undertakings	2	10
Interest payable	3	6
Derivative financial instruments (Note 23)	11	23
Capital expenditure creditors	36	65
Other payables	23	59
	1,569	2,019

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

F6. Notes to the financial statements

18. Current tax

As at 31 March	Assets	Liabilities
	£m	£m
2020		
UK corporation tax	2	10
	2	10
2019		
UK corporation tax	1	9
	1	9

19. Provisions for liabilities and charges

	Rationalisation costs	Insurance	Other	Total	Total
	(i) £m	(ii) £m	(iii) £m	2020 £m	2019 £m
At 31 March	28	67	47	142	264
Adoption of IFRS 16	(8)	-	-	(8)	-
At 1 April	20	67	47	134	264
Charged to income statement:	24	-	8	32	91
Released to income statement:	(1)	(7)	(2)	(10)	(162)
Utilised in period	(20)	(4)	(23)	(47)	(51)
At 31 March	23	56	30	109	142
Analysed as:					
Current liabilities				19	32
Non-current liabilities				90	110

(i) Rationalisation costs include redundancy provisions as follows:

	2020 £m	2019 £m
At beginning of period	2	2
Charged to income statement:	14	1
Utilised during the period	(11)	(1)
At end of period	5	2

	2020 £m	2019 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	5	15
Environmental and other remediation costs at sites subject to restructuring/closure	12	9
Other	1	2
	18	26

Although the precise timing in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within one year. At 31 March 2020 the rationalisation provision included £5m (2019: £15m) in respect of onerous leases on a discounted basis and £5m (2019: £15m) on an undiscounted basis.

On adoption of IFRS 16 £8m of onerous leases were transferred to impairment of property, plant and machinery (see note 9).

(ii) The insurance provisions represent losses incurred but not yet reported in respect of risks retained by the Company rather than passed to third party insurers and include amounts in relation to certain industrial disease claims. All are subject to regular review and are adjusted as appropriate. The value of final insurance settlements is uncertain and so is the timing of expenditure.

(iii) Other provisions include £8m (2019: £26m) for environmental provisions and £1m (2019: £1m) for claims against guarantee commitments. The other provisions also include product warranty claims for which the timing of any potential expenditure is uncertain and provisions for employee benefits, which include long term benefits such as long service and sabbatical leave. All items are subject to independent actuarial assessments.

F6. Notes to the financial statements

20. Other non-current liabilities

As at 31 March	2020	2019
	£m	£m
Financial guarantees	15	7
	15	7

On 19 December 2007 the board of TSUK granted a guarantee in relation to the debt raised as part of the old SFA entered into by TSUKH, Tulip UK Holdings (No. 3) Limited and Tata Steel Netherlands Holdings BV. On 29 September 2010, the borrowings and lender commitments under the previous SFA were refinanced with the establishment of a new SFA. This was subsequently refinanced on 28 October 2014 and again on 4 February 2020 (although only Tata Steel Netherlands Holdings BV entered into the most recent refinancing). This guarantee is supported by security over the assets of the Company.

21. Deferred income

	Grants relating to revenue £m	Total 2020 £m	Total 2019 £m
At 1 April	1	1	2
Released to the income statement	-	-	(1)
Reclassification	1	1	-
At 31 March	2	2	1

22. Called up share capital

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

Authorised	2020	2019
	£m	£m
249,999,999,990 (2019: 249,999,999,990) ordinary shares of 1p each	2,499	2,499
Allotted, called up and fully paid	2020	2019
	£m	£m
224,130,023,983 (2019: 224,130,023,983) deferred shares of 1p each	2,241	2,241
23,793,506 (2019: 1,032,450) ordinary shares of 1p each	1	-
3,333 (2019: 3,333) A ordinary shares of 1p each	-	-

The Company issued 16,061,056 Ordinary shares on 30 September 2019 for a total consideration of £1,607m. These shares were issued in exchange for settlement of £1,607m of debt owed to parent undertakings (see note 16). The Company also issued 3,500,000 Ordinary shares on 31 December 2019, 1,000,000 Ordinary shares on 26 March 2020 and a further 2,200,000 Ordinary shares on 31 March 2020 for a total consideration of £670m received in cash. All shares issued during the year have a nominal value of 1p and were issued for a total overall consideration of £2,277m.

The holders of Ordinary shares are entitled to be paid any profits of the Company which are available for distribution and to receive notice of general meetings and to attend, speak and vote at such meetings.

A Ordinary shares carry full rights in respect of profit distribution. In addition, they are entitled to receive notice of general meetings but shall not be entitled to attend, speak or vote at any such meeting.

Deferred shares do not confer any right to receive notices of general meetings of the Company or to attend, speak or vote at any such meeting, to vote on written resolutions to participate in any return of capital or to participate in the profits of the Company by way of dividend, distribution or otherwise.

23. Financial instruments

The following table details the Company's financial instruments held at fair value:

As at 31 March	2020	2019
	£m	£m
Derivative financial assets	54	7
Derivative financial liabilities	(11)	(23)
Total derivatives	43	(16)

F6. Notes to the financial statements

Derivative financial instruments used by the Company 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 Company 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 Company at the end of the reporting period:

As at 31 March	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Current:				
Foreign currency contracts	54	(8)	4	(23)
Commodity contracts	-	(3)	3	-
	54	(11)	7	(23)

The Company's derivative financial assets and liabilities are categorised as Level 2 and their valuation is based on future cash flows (estimated from observable data such as forward exchange rates and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties.

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

As at 31 March	2020	2019
	£m	£m
Commodity contracts	(4)	4
Taxation	1	-
Cash flow hedge reserve	(3)	4

Amounts recognised in the cash flow hedge reserve are expected to affect the income statement within one year.

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2020 £m
Cash flow hedge reserve net of taxation at beginning of period	-	4	-	4
Fair value recognised	-	(8)	1	(7)
Cash flow hedge reserve net of taxation at end of period	-	(4)	1	(3)

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2019 £m
Cash flow hedge reserve net of taxation at beginning of period	1	-	-	1
Fair value recognised	(1)	4	-	3
Cash flow hedge reserve net of taxation at end of period	-	4	-	4

Ineffectiveness on cash flow hedges recognised in profit and loss was £nil in 2020 (2019: £nil).

24. Future capital expenditure

As at 31 March	2020	2019
	£m	£m
Contracted but not provided for	41	45
Authorised but contracts not yet placed	96	102

At the end of the period there was £nil (2019: £5m) of future expenditure planned in relation to intangible assets which is included within the above.

25. Exposure for cash outflows relating to leases

	2020	2019
	£m	£m
Future exposure for cash outflows from the Company at the end of the period are:		
Future cash outflows relating to termination and extension options	1	-
	1	-

Exposure for cash outflows relating to leases is a new reporting requirement under IFRS 16 'Leases' for 2020 and therefore no comparatives are disclosed for 2019.

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26. Contingencies

As at 31 March	2020	2019
	£m	£m
Guarantees given under trade agreements	6	7

Dependent on future events, other current legal proceedings and recent significant contracts may give rise to contingencies and commitments that are not currently reflected in the above figures. There are also contingent liabilities in the ordinary course of business in connection with the completion of contractual arrangements. The Company has provided an indemnity to the companies being placed into members voluntary liquidation under the corporate simplification exercise in respect of industrial injury and tax liabilities.

27. Pensions and post-retirement benefits

Defined contribution schemes

The Company participates in 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 Company at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to prior month 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 2020 amounted to £45m (2019: £44m).

Defined benefit schemes

The principal defined benefit pension scheme for TSUK is the British Steel Pension Scheme ('BSPS'), which is the main scheme for previous and present employees based in the UK. Benefits offered by this scheme are based on final pay and years of service at retirement. The assets of this scheme are held in a separately administered fund.

The BSPS is the legacy defined benefit pension scheme in the UK and is closed to future accrual. The current Scheme is the successor to the old BSPS which, in accordance with a Regulated Apportionment Arrangement ('RAA'), entered a PPF assessment period in March 2018. At that time approximately 80,000 electing members of the BSPS, out of a total of more than 120,000, were transferred to the new Scheme (which retains the title 'British Steel Pension Scheme'). The BSPS is sponsored by TSUK. Although TSUK has a legal obligation to fund any future deficit, a key condition of the new BSPS going forward was that it was sufficiently well funded to meet the scheme's modified liabilities on a self-sufficiency basis with a buffer to cover residual risks. With the assets that it holds, the new scheme is therefore well positioned to pay benefits securely on a low risk basis without recourse to TSUK. This risk includes economic risks (such as interest rate risk and inflation risk), demographic risks (for example members living longer than expected), and legal risks (for example changes in legislation that may increase liabilities). TSUK has worked with the Trustee to develop and implement an Integrated Risk Management ('IRM') framework to manage these risks. The framework provides ongoing monitoring of the key investment, funding and covenant risks facing the scheme and tracks progress against the scheme's journey plan and target. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to reduce interest rate risk, and investment in assets that are expected to be correlated to future inflation in the longer term to mitigate inflation risk. In particular, the scheme's investment policy has regard for the maturity and nature of the scheme's liabilities and seeks to match a large part of the scheme's liabilities with secure bonds, whilst achieving a higher long term return on a small proportion of equity and other investments. However, the scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the TSE financial statements should yields on gilts and corporate bonds diverge.

The BSPS and Open Trustee Limited ('OTL'), acting on behalf of the members of the old Scheme, hold an anti-embarrassment interest in TSUK agreed as part of the RAA. 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 2020 (2019: £nil) for its interest in TSUK.

At 31 March 2020 the new scheme had an IAS 19 surplus of £2,916m (2019: £2,205m). In accordance with IFRIC 14, the Company has recognised 100% (2019: 100%) of the surplus as it has an unconditional right to a refund of the surplus. The new scheme is fully funded on a low-risk technical provisions ('TP') basis and TSUK is working with the Trustee to explore options to increase security for members and to work towards an ultimate winding up of the scheme in which all benefits are fully secured with one or more insurance companies. TSUK is investigating with the BSPS Trustee options to buy-in some/all of the scheme's liabilities with an insurer. TSUK retains the sole power to decide whether to subsequently proceed to wind-up and buy-out liabilities. The Pensions Framework Agreement agreed as part of the RAA stipulates that this can only be achieved if the valuation of the scheme on a "buyout" basis is either at or above 103%. The 3% excess above full funding would be applied for restoration of an element of member benefits foregone as part of the RAA. As the chance of achieving the required pricing level is currently not probable, no adjustments in respect of restoration has been made to the IAS 19 valuation of the BSPS at 31 March 2020 with the assumption of pension payouts being retained at 100%. The 31 March 2018 valuation was agreed between TSUK and the BSPS Trustee on 11 April 2019. This was a surplus of £668m on a TP (more prudent) basis equating to a funding ratio of 106.3%. The agreed Schedule of Contributions confirmed that neither ordinary nor deficit recovery contributions are due from the Company.

The weighted average duration of the scheme's liabilities at 31 March 2020 was 15 years (2019 15 years). On 26 October 2018 the High Court ruled that UK pension schemes would be required to equalise guaranteed minimum pensions ('GMP'). The ruling also provided guidance on how this equalisation should be undertaken. Following this ruling, TSE recognised in the prior year an

F6. Notes to the financial statements

increase of £50m to the BSPS liabilities in respect of the estimated impact of this equalisation with the related charge recognised in OCI. This reserve has been retained at the same value in the 31 March 2020 IAS 19 position.

In the current year the income statement includes a charge of £3m in relation to costs associated with the RAA (2019: £4m). These have been classified as exceptional per note 2.

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.

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

2020	BSPS %	Other %
Salary growth ¹	n/a	n/a
Pension increases ²	1.80	1.80
Discount rate	2.45	2.45
Inflation	2.55	2.55

¹ The BSPS is closed to future accrual.

² Where applicable a CPI assumption of 1.80% has been applied within the BSPS.

2019	BSPS %	Other %
Salary growth ³	n/a	n/a
Pension increases ⁴	2.20	2.20
Discount rate	2.30	2.30
Inflation	3.20	3.20

³ The BSPS is closed to future accrual.

⁴ Where applicable a CPI assumption of 2.20% has been applied within the BSPS.

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

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans. For the BSPS the liability calculations as at 31 March 2020 use the Self-Administered Pension Schemes 2 (SAPS 2) base tables, S2NMA/S2DFA with the 2015 CMI projections with a 1.50% pa long-term trend applied from 2007 to 2016 (adjusted by a multiplier of 1.15 for males and 1.21 for females). In addition, future mortality improvements are allowed for in line with the 2019 CMI Projections with a long-term improvement trend of 1.00% per annum and a smoothing parameter of 7.0. This indicates that today's 65 year old male member is expected to live on average to approximately 86 years of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 87 years of age.

Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below 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 BSPS liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.4%
Inflation	Increase/decrease by 10bps	Increase/decrease by 1.0%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.0%

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

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

F6. 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, and
- The net interest cost/(income) on the liability or asset is 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:

	2020	2019
	£m	£m
Current service cost	10	15
Costs of setting up new BSPS scheme (Note 4)	-	2
Pension restructuring costs (Note 4)	4	-
Net interest income	(52)	(58)
Defined benefit schemes	(38)	(41)
Defined contribution schemes	45	44
Total charge for the period	7	3

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

	2020	2019
	£m	£m
Pension costs (Note 4)	3	1
Pension restructuring costs (Note 4)	4	-
Exceptional costs for setting up the new BSPS scheme borne by the scheme (Note 4)	-	2
Exceptional costs for setting up the new BSPS scheme borne directly by the Company (Note 4)	3	2
Total charge for the period	10	5

The actual return on plan assets for the above schemes was a gain of £545m (2019: £548m).

Plan assets

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

BSPS	2020	2019
	%	%
Quoted:		
Equities - UK Entities	0.4	0.6
Equities - Non-UK Entities	3.5	7.0
Bonds - Fixed Rate	68.8	50.1
Bonds - Index Linked	29.5	28.3
Derivatives	0.3	0.3
	102.5	86.3
Unquoted:		
Real estate	11.2	12.5
Derivatives	(16.2)	(1.0)
Cash and cash equivalents	1.8	1.4
Other	0.7	0.8
	(2.5)	13.7
	100.0	100.0

F6. Notes to the financial statements

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:

2020	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,628	-	10,628
Present value of obligation	(7,712)	(8)	(7,720)
Defined benefit asset/(liability)	2,916	(8)	2,908
Disclosed as:			
Defined benefit asset	2,916	-	2,916
Defined benefit liability - non-current	-	(8)	(8)
Arising from:			
Funded schemes	2,916	-	2,916
Unfunded schemes	-	(8)	(8)

2019	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,598	-	10,598
Present value of obligation	(8,393)	(9)	(8,402)
Defined benefit asset/(liability)	2,205	(9)	2,196
Disclosed as:			
Defined benefit asset	2,205	-	2,205
Defined benefit liability - non-current	-	(9)	(9)
Arising from:			
Funded schemes	2,205	-	2,205
Unfunded schemes	-	(9)	(9)

The movements in the present value of plan assets and defined benefit obligations in 2020 and 2019 were as follows:

2020	BSPS £m	Other £m	Total £m
Plan assets:			
At 1 April 2019	10,598	-	10,598
Interest income on plan assets	239	-	239
Return on plan assets greater than the discount rate	306	-	306
Benefits paid	(515)	-	(515)
At 31 March 2020	10,628	-	10,628
Defined benefit obligation:			
At 1 April 2019	8,393	9	8,402
Current service cost	14	-	14
Interest cost on the defined benefit obligation	187	-	187
Actuarial gain due to financial assumption changes	(405)	(1)	(406)
Actuarial loss due to demographic assumption changes	38	-	38
Benefits paid	(515)	-	(515)
At 31 March 2020	7,712	8	7,720

Benefits paid in the year included £nil (2019: £647m) in respect of transfers out of the BSPS. The benefits paid out of the BSPS in 2019 were significantly higher than usual due to an increased number of members deciding to transfer out of the scheme during the RAA period.

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2019	BSPS £m	Other £m	Total £m
<i>Plan assets:</i>			
At 1 April 2018	11,205	-	11,205
Interest income on plan assets	284	-	284
Return on plan assets greater than the discount rate	264	-	264
Benefits paid	(1,155)	-	(1,155)
At 31 March 2019	10,598	-	10,598
<i>Defined benefit obligation:</i>			
At 1 April 2018	8,976	9	8,985
Current service cost	15	-	15
Costs of setting up new BSPS scheme	2	-	2
Interest cost on the defined benefit obligation	226	-	226
Actuarial loss due to actuarial experience	47	-	47
Actuarial loss due to financial assumption changes	411	-	411
Actuarial gain due to demographic assumption changes	(129)	-	(129)
Benefits paid	(1,155)	-	(1,155)
At 31 March 2019	8,393	9	8,402

Actuarial gains recorded in the Statement of Comprehensive Income for the period were £674m (2019: £65m loss).

28. Related party transactions

The table below sets out details of transactions which occurred in the normal course of business between the Company and its joint ventures, joint arrangements are considered as joint ventures for reporting purposes.

	2020 £m	2019 £m
Amounts reported within the income statement:		
Purchases from joint ventures	5	5
Dividends from joint ventures (Note 5)	-	1
Amounts reported within the balance sheet:		
Amounts owed to joint ventures (Note 17)	1	1

29. Events after the balance sheet date

On 19 June 2020 TSUK repaid an external loan of £200m which was due for repayment on that date. This repayment was financed by TSE drawing down on an external loan facility of £200m on the same day and lending these proceeds to TSUK. The loan from TSE to TSUK has a duration of 180 days and this is expected to be subsequently renewed at maturity.

During June 2020, TSUK sold 6,450kt of the CO2 emission rights that it had been freely allocated as part of its 2020 allocation under the EU ETS for total proceeds of £135m.

30. Ultimate and immediate parent company

Corus Group Limited is the Company's immediate parent company, which is registered in England and Wales. TSE and TSUKH are intermediate holding companies, registered in England and Wales, with TSUKH the smallest group to consolidate these financial statements.

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

Copies of the Report & Accounts for Corus Group Limited, TSUKH and TSE may be obtained from the Secretary, 30 Millbank, London, SW1P 4WY.

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

F6. Notes to the financial statements

31. Details of related undertakings

A list of the Company's subsidiary, joint venture and associated undertakings (direct and indirect) as at 31 March 2020 pursuant to the requirement of The Company, Partnership and Groups (Accounts and Reports) Regulation 2015.

The subsidiary undertakings, joint ventures and associates of the Company at 31 March 2020 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:

Germany	
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
India	
Tata Steel International (India) Limited (i) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
Ireland (Republic of)	
Gamble Simms Metals Limited (ii) (iii)	Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Lister Tubes Limited (xiii)	1 Stokes Place, Saint Stephen's Green, Dublin 2
Stewarts & Lloyds Of Ireland Limited (xiii)	1 Stokes Place, Saint Stephens Green, Dublin 2
Walkersteelstock Ireland Limited (xiii)	1 Stokes Place, Saint Stephens Green, Dublin 2
Nigeria	
Tata Steel International (Nigeria) Limited (i) (iii)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
Norway	
Tata Steel Norway Byggsystemer AS (ii) (iii)	Roraskogen 2, Skien, N 3739, Norway
Romania	
Corus International Romania SRL (i) (iii)	7, Hirsova street, Sector 3, Bucharest, 031409, Romania
South Africa	
TS South Africa Sales Office Proprietary Limited (i) (iii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
Sweden	
Surahammars Bruks AB (ii) (iii)	Box 201, S-735 23, Surahammar, Sweden
UAE	
Tata Steel International (Middle East) FZE (i) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
United Kingdom	
00026466 Limited (i) (iii)	30 Millbank, London SW1P 4WY
00224239 Limited (xiii)	30 Millbank, London SW1P 4WY
00302520 Limited (xiii)	30 Millbank, London SW1P 4WY
02727547 Limited (i) (iii) (xiii)	30 Millbank, London SW1P 4WY
Alloy Steel Rods Limited (xiii)	30 Millbank, London SW1P 4WY
Bell & Harwood Limited (xiii)	30 Millbank, London, SW1P 4WY
Blastmega Limited (xiii)	30 Millbank, London, SW1P 4WY
Bore Samson Group Limited (xiii)	30 Millbank, London, SW1P 4WY
Bore Steel Limited (xiii)	30 Millbank, London, SW1P 4WY
British Bright Bar Limited (xiii)	30 Millbank, London, SW1P 4WY
British Guide Rails Limited (xiii)	30 Millbank, London, SW1P 4WY
British Steel Corporation Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
British Steel Directors (Nominees) Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
British Steel Engineering Steels (Exports) Limited (xiii)	30 Millbank, London, SW1P 4WY
British Steel Service Centres Limited (xiii)	30 Millbank, London, SW1P 4WY
British Steel Trading Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
C Walker & Sons Limited (xiii)	30 Millbank, London, SW1P 4WY
Catnic Limited (i) (iii) (viii) (ix)	30 Millbank, London, SW1P 4WY
Cogent Power Limited (i) (iii) (xv)	30 Millbank, London, SW1P 4WY

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Cold Drawn Tubes Limited (xiii)	30 Millbank, London, SW1P 4WY
Corby (Northants) & District Water Co. (i) (iii)	Tata Steel UK Limited, Po Box 101 Weldon Road, Corby, Northamptonshire, NN17 5UA
Cordor (C&B) Limited (xiii)	30 Millbank, London, SW1P 4WY
Corus CNBV Investments (50%) (ii) (iii)	30 Millbank, London, SW1P 4WY
Corus Cold Drawn Tubes Limited (xiii)	30 Millbank, London, SW1P 4WY
Corus Engineering Steels (UK) Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Corus Engineering Steels Holdings Limited (xiii)	30 Millbank, London, SW1P 4WY
Corus Engineering Steels Limited (i) (iii) (xi)	30 Millbank, London, SW1P 4WY
Corus Engineering Steels Overseas Holdings Limited (xiii)	30 Millbank, London, SW1P 4WY
Corus Engineering Steels Pension Scheme Trustee Limited (xiii)	British Steel Pend Fund, 17th Floor 125 Old Broad Street, London, EC2N 1AR
Corus Holdings Limited (i) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus International Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Corus Investments Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus Liaison Services (India) Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Corus Management Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Corus Property(ii) (iii)	30 Millbank, London, SW1P 4WY
Corus Service Centre Limited (xiii)	Hull's Hill, Lisburn, Co.Atrim, BT28 2SR
Corus UK Healthcare Trustee Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Darlington & Simpson Rolling Mills Limited (xiii)	30 Millbank, London, SW1P 4WY
DSRM Group Limited (xiii)	30 Millbank, London, SW1P 4WY
Europressings Limited (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
Grant Lyon Eagre Limited (xiii)	30 Millbank, London, SW1P 4WY
Hallamshire Steel Co.Limited(The) (xiii)	30 Millbank, London, SW1P 4WY
H E Samson Limited (i) (iii)	30 Millbank, London, SW1P 4WY
Hadfields Holdings Limited (62.5%) (i) (iii)	30 Millbank, London, SW1P 4WY
Hammermega Limited (xiii)	30 Millbank, London, SW1P 4WY
John Tinsley Limited (xiii)	30 Millbank, London, SW1P 4WY
London Works Steel Company Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Nationwide Steelstock Limited (xiii)	30 Millbank, London, SW1P 4WY
Orb Electrical Steels Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
Ore Carriers Limited (xiii)	30 Millbank, London, SW1P 4WY
Plated Strip International Limited (xiii)	30 Millbank, London, SW1P 4WY
Round Oak Properties Limited (xiii)	30 Millbank, London, SW1P 4WY
Round Oak Steelworks Limited (xiii)	30 Millbank, London, SW1P 4WY
Runblast Limited (xiii)	30 Millbank, London, SW1P 4WY
Runmega Limited (xiii)	30 Millbank, London, SW1P 4WY
Samuel Fox and Company Limited (xiii)	30 Millbank, London, SW1P 4WY
Seamless Tubes Limited (xiii)	30 Millbank, London, SW1P 4WY
Shearall 1971 (Successors) Limited (ii) (iii)	9 Albert Embankment, London, SE1 7SN
Smith, Druce Stainless Limited	9 Albert Embankment, London, SE1 7SN
Steel Company of Wales Limited(The) (xiii)	30 Millbank, London, SW1P 4WY
Steel Peech & Tozer Limited (xiii)	30 Millbank, London, SW1P 4WY
Steel Stockholdings Limited (xiii)	30 Millbank, London, SW1P 4WY
Steelstock Limited (xiii)	30 Millbank, London, SW1P 4WY
Stewarts And Lloyds (Overseas) Limited (xiii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Swinden Housing Association (i) (iii)	Room 42, Talbot Building, College of Engineering, Singleton Campus, Swansea University, Swansea SA2 8PP
Tata Steel UK Consulting Limited (ii) (iii)	30 Millbank, London, SW1P 4WY
The Newport And South Wales Tube Company Limited (i) (iii)	30 Millbank, London, SW1P 4WY
The Stanton Housing Company Limited (xiii)	30 Millbank, London, SW1P 4WY
The Templeborough Rolling Mills Limited (xiii)	30 Millbank, London, SW1P 4WY
Toronto Industrial Fabrications Limited (xiii)	30 Millbank, London, SW1P 4WY
U.E.S. Bright Bar Limited (xiii)	30 Millbank, London, SW1P 4WY
UK Steel Enterprise Limited (i) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
UKSE Fund Managers Limited (xiii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
Walker Manufacturing And Investments Limited (xiii)	30 Millbank, London, SW1P 4WY
Walkersteelstock Limited (xiii)	30 Millbank, London, SW1P 4WY
Wellington Tube Works Limited (xiii)	30 Millbank, London, SW1P 4WY
Westwood Steel Services Limited (xiii)	30 Millbank, London, SW1P 4WY
Whitehead (Narrow Strip) Limited (xiii)	30 Millbank, London, SW1P 4WY
USA	
Cogent Power Inc. (ii) (iii)	59 Elm Street, Suite 400, New Haven CT 06510 USA
Oremco Inc (30%) (ii) (iii)	60 E42 Street, New York 10165 United States

F6. Notes to the financial statements

Classification key:

- (i) Directly owned by the Company
- (ii) Owned by Group
- (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) Currently in liquidation via a Members Voluntary Liquidation
- (xiv) Currently in liquidation
- (xv) Redeemable non-cumulative preference shares

Unless indicated otherwise, subsidiary undertakings are wholly owned by the Company.

Joint arrangements

United Kingdom

Air Products Llanwern Limited (50%) (i) (ii) (JO)

Hersham Place Technology Park, Molesey Road, Walton On Thames, Surrey, KT12 4RZ

Ravenscraig Limited (33%) (i) (iii) (JV)

15 Atholl Crescent, Edinburgh, EH3 8HA

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

Associates

United Kingdom

Fabsec Limited (25%) (i) (iv)

Cellbeam Ltd, Unit 516 Avenue E East, Thorp Arch Estate, Wetherby, West Yorkshire, England, LS23 7DB

ISSB Limited (50%) (i) (ii)

Corinthian House, 17 Lansdowne Road, Croydon, Greater London, CR0 2BX

Classification key:

- (i) Owned by the Company
 - (ii) Ordinary shares
 - (iii) Ordinary A shares
 - (iv) Ordinary B shares
 - (v) Voting shares
 - (vi) Preference shares
- (JV) Joint Venture
(JO) Joint Operation

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