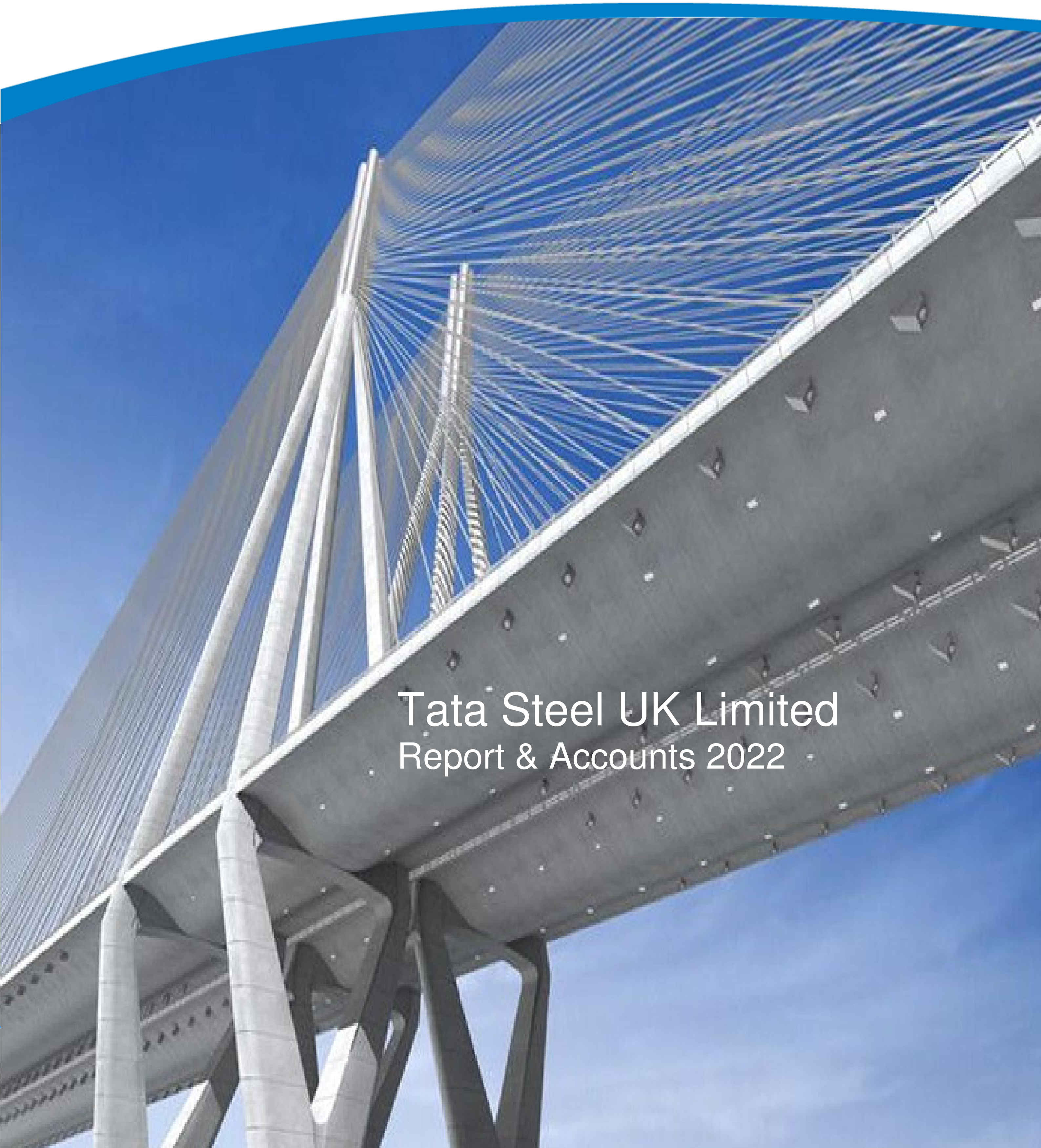
TATA STEEL

TATA



Tata Steel UK Limited
Report & Accounts 2022

Contents

A. Directors and advisors

Directors

H Adam

S Biswas (resigned 8 March 2022)

T V Narendran

K Chatterjee

M J Davies (appointed 17 March 2022)

R Nair (appointed 17 March 2022)

A Jhanji (appointed 17 March 2022)

Secretary and registered office

A Page (appointed 10 August 2021)

18 Grosvenor Place
London
SW1X 7HS

Company Number

02280000

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

A1. Company's business

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 2022.

The Company has chosen to present the financial statements in accordance with FRS 101 'Reduced Disclosure Framework' 'FRS 101', a framework for entities which apply the presentation, recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, 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. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on BSE Limited (formerly the Bombay Stock Exchange Limited), Mumbai and the National Stock Exchange of India, and with global depositary receipts listed on the London and the Luxembourg Stock Exchanges.

Principal activities

The principal activities of TSUK are the manufacture and sale of steel products throughout the world. The Company produced carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the UK at Port Talbot. During 2021/22, this plant produced 3.5mt of liquid steel (2020/21: 3.4mt) with the higher level of production during the year due to the impact of the COVID-19 pandemic and resulting demand reductions in the prior year.

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

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

Strategic activities

Through the first half of the year, TSE progressed with its plans to separate its businesses centred in the UK and the Netherlands into two 'Value Chains', with their own governance structures to allow each business to pursue different strategic paths and give them greater agility and management focus, while still benefiting from operating together under the Tata Steel brand and offering a coordinated approach to customers and suppliers. Following consultation, this organisational change (known as 'Separation') took effect from 1 October 2021 and created two businesses, one centred on the UK but also including manufacturing assets in Sweden and Norway as well as certain international sales offices (together 'the UK Business') and the other centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business'). Since 1 October 2021, the governance arrangements of TSE have therefore been adapted to move primary management and decision-making responsibility from the TSE group level down to the subsidiary board and management team levels, in particular TSUK for the UK Business. For further details please see page 26. Following Separation, the UK Business, of which TSUK is the main constituent has its own management team and strategic decision making is carried out at this level.

TSUK continues to have discussions with the UK government to seek support for the transition to low-carbon steelmaking, which is a vital part of securing a long-term sustainable future for the business. For further details of TSUK's decarbonisation ambitions please see page 13.

A2. Principal risks and uncertainties

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

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

A2. Principal risks and uncertainties

Risks	Mitigating factors
Climate Change	
Climate-related risks are central to the TSUK risk registers. These include climate change-induced physical risks such as those linked to rising sea levels and extreme weather events disrupting supply chains (e.g. storms, flooding, droughts, severe winds), and transition risks which include technological, policy and market changes to adapt to a lower-carbon economy. For the steel industry, transition risks include increased unit costs within UK Emissions Trading Systems and a reduction in the free allocation of CO2 allowances under this scheme. There is an expectation that in the future the allocation of CO2 allowances is likely to be substantially lower than projected emissions which is likely to expose TSUK to higher operating costs. Carbon taxes continue to absorb additional resources when compared to competitors not subject to the same legislation. One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. TSUK is working in partnership with the UK government on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future. Due to the significant amount of capital that would be required in order to invest in greener steelmaking, a risk remains that without sufficient government support in the UK, the Company may not be able to meet long term sustainability objectives, leading to higher carbon taxes and potentially a reduction in orders from environmentally conscious customers.	Physical risks for which mitigations are in place include flood-risk management on TSUK sites and resilience planning in respect of raw material suppliers declaring Force Majeure because of mine inundation or shipping delays. In the early part of 2021/22, TSUK started to pass on costs of carbon taxes to customers in the form of an additional surcharge which is adjusted when carbon costs change. Transparency in pricing of steel products is important and end customers and society as a whole should recognise that decarbonisation is likely to involve higher costs. Future regulatory changes, including a Carbon Border Adjustment Mechanism in the UK and EU, are required to protect European steel producers from imports from countries that are not subject to the same level of carbon taxes. TSUK is supportive in principle of the EU's proposed Carbon Border Adjustment Mechanism, but care will be needed in its design if it is to have the intended effect of incentivising rapid decarbonisation amongst EU steelmakers. TSUK has been active for several years in exploring a number of possible options which could be used to decarbonise its operations. A number of technology options are being evaluated and feasibility work on some of these step-change technology options has commenced.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Long term competitiveness	
TSUK's manufacturing facilities are based in the UK which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world. Increasing raw material costs as well as high energy and CO2 costs challenge the long-term competitiveness of its products. One of the major challenges facing the steel sector is the ambition to move towards low carbon steelmaking with key stakeholders putting pressure on the industry to make a step change in CO2 emissions. TSUK is working in partnership with national governments on the shared objective of creating an achievable, long-term plan to support the steel sector's transition to a competitive, sustainable and low carbon future.	In order to maintain its ability to successfully compete in the long term the Company is undertaking a number of initiatives, including cost reduction measures and business specific improvement plans. The most significant of these initiatives is the Transformation programme, which aims to deliver operational, commercial and supply chain improvements and enable the Company's business to reach sustainable levels of EBITDA even in an economic downturn. As part of the Transformation programme, the Company will continue to target and grow its offering of a high value, differentiated product mix to the market.
Financing	
TSUK has external financing facilities in place with certain additional support provided by other TSE group companies. TSUK is committed to long-term financial independence and in recent years significant sums outstanding as loans to TSUK from TSL Group companies have been converted into equity or waived. Short term facilities have been put in place for the UK business with the intention being that TSUK can manage it's liquidity using these facilities without requiring financial support from TSL Group companies. Access to finance may be required to enable the Company's transition to a low carbon future with potential capital investments running into the billions of pounds in a potentially short space of time.	In order to effectively manage this risk, the forecast requirements of the Company continue to be closely monitored and 'downside' sensitivities are undertaken regularly to ensure the adequacy of facilities. As part of the wider TSL Group, TSUK has good relationships with external banks and has a proven ability to access sources of financing when required. Following repayments of debt and conversion of parent company debt to equity, the Company's balance sheet is not highly leveraged. TSUK continues to engage with the UK Government around support for its decarbonisation plans.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Trading in the global steel market	
The Company's financial performance is influenced by the global steel market and the economic climate in the UK and EU. TSUK is one of a number of European steel producers which are being squeezed between rising import pressures and a long term decline in demand, with the situation being particularly acute for producers of hot rolled flat products. The surge in imports in recent years forced TSUK and other EU producers to pursue antidumping (AD) actions, investigation of unfair imports and imposition of trade remedy measures. Despite measures being in place to support UK producers, vulnerabilities remain as safeguards to manage volumes do not address prices. Furthermore, the Tariff Rate Quotas (TRQs) set a cap on imports, but at a high level which varies by product, and are based around historical EU imports, when demand was higher than today. TSUK is monitoring the current status and utilisation of safeguard quotas and their impact on stabilising traditional import flows and prevention of market-disrupting import concentration. Post Brexit, TSUK is also facing a risk of an insufficient response by the new UK Trade Remedy Authority (TRA) on implementation of trade defence instruments.	The Company's commercial strategies aim to identify opportunities to focus on less import-sensitive sectors/markets, product differentiation and a customer focus that will enable longer-term contracts. The Company will continue to monitor and respond to the emerging legislation in the UK as it establishes a standalone regulatory environment post Brexit.
Raw materials and energy	
The Company does not have access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depends, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. Exposure to raw material shortages has not been a high risk historically, though this is going to need to be managed effectively for a period of time following the impact of the COVID-19 pandemic and sanctions placed on Russia following the start of the war in Ukraine. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of vessels from high risk countries, or disruptions and restrictions in the country of origin of raw materials.	Within TSUK's Transformation programme, opportunities are being sought with suppliers to extract greater value from contracts by strengthening partnerships, negotiating better payment terms and leveraging the buying power of the TSL Group to lower costs of consumables. The programme also investigates opportunities in the supply chain, for example by reducing inbound freight costs. Exposure to energy shortages and price increases are a present risk due to disruption caused by the war in Ukraine and sanctions on Russian businesses and products. These risks are closely monitored and extreme volatility in the market is partly mitigated by short-term price hedging. In response to Russian actions in Ukraine, the TSL Group announced in April 2022 that it has decided to end procurement of coal from Russia and to source supplies from alternative countries. In addition, the Company continues to target measures to reduce its energy requirements, e.g. by increasing self-generation of electricity and efficiency improvements.

A2. Principal risks and uncertainties

Risks	Mitigating factors
Performance and operations	
Whilst the Company seeks to increase differentiated/premium business which is less dependent on steel market price movements, it still retains focus in the UK on improving its operations, consistency, and taking measures to protect against unplanned interruptions and property damage.	Best practices in asset management, enhancing technical knowledge and skills, improving process safety, targeted capital expenditure and focused risk management remain as priorities for the business.
Exchange rates	
The Company derives most of its revenue in the UK and EU. Major raw material purchases are denominated mainly in US dollars. As a result, the Company is impacted by the relationship between sterling, the Euro and the US dollar. In general, a strengthening of sterling reduces the sterling value of export revenues from the UK, improves the relative competitiveness of steel producers in countries with weaker currencies, enabling them to discount prices in the UK market, and exposes customers to similar pressures, leading to a reduction in demand for steel in the UK. In contrast, a strengthening of sterling reduces the sterling cost of the Company's raw materials, which are purchased predominantly in US dollars.	The Company operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates.
Digital resilience	
The cyber environment in which TSUK operates requires continuous scanning of threats and constant review of controls to prevent an increasing risk exposure, utilising new technology and maintaining existing hardware at all levels. TSUK is committed to setting and maintaining appropriate cyber security standards and practices to ensure the company is equipped to defend itself from cyber incidents. The threat of cyber-attacks has continued as a genuine business risk due to large scale criminal activity targeting major businesses across all industries. TSUK therefore has a focus on preventative measures to help maintain a low level of vulnerability.	Significant investment has been committed to combat the increasing global threat from cyber incidents to manufacturing companies, including continuing investment in a central Operational Security Service (including a Security Operations Centre), and both IT and process control security projects to improve resilience, manage security incidents and improve event detection. Specific focus and investment has been placed on awareness and education, protection from viruses, malicious software and external hacking, managing core network components, and contingency planning and resilience for digital business critical components.

A3. Business Review

Business environment and prospects

Dynamics of the business

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

Macroeconomic environment

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

Steel demand and production

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

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

Raw materials and steel prices

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

The UK ETS also went live on 1 January 2021, replacing the UK's participation in the EU ETS. UK ETS auctions began in May 2021. The UKA's averaged £60/t in 2021 at a premium of £5/t compared to the EU ETS.

The European spot price for Hot Rolled Coil (Germany, parity point) increased in 2021/22 to £895/t (+£424/t). The price increased strongly as demand for steel was high whilst supply was limited. In March 2022, the steel price was at an all-time high of due to the loss of supply from Ukraine and Russia.

Prospects for 2022

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

Civil society advocacy

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

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

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

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

Employees

Health and safety

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

In a year still overshadowed by the impact of the COVID-19 pandemic the Company continued to respond with pace and with a coordinated, agile approach in order to protect the health and wellbeing of all employees and stakeholders. This resulted in those who could work from home continuing to do so, supported by the appropriate tools, systems, policies and guidelines in line with national requirements. Employees working in manufacturing processes continued to operate successfully with new social distancing rules and procedures in place.

Effective communication and engagement was key to maintaining a safe and healthy working environment and to recognise the challenges to employees health, mental health, and wellbeing throughout. In the latter part of the year restrictions started to lift which allowed a return to more pre-pandemic practices.

For the second year running there were no fatal injuries in the year following the two tragic fatal events in 2019 which were the first since 2010. The combined lost time injury frequency (LTIF) rate in 2021/22 for employees and contractors worsened slightly to 2.35 compared to 1.97 in the previous year. However, the recordables rate, which includes lost time injuries as well as minor injuries, improved slightly again from 3.99 in 2020/21, to 3.82 in 2021/22.

In order to drive performance improvement further on all aspects of occupational safety, health, and process safety a number of measures have been taken. Investment has continued in health and safety capital schemes across the business. A new overall health and safety approach has been agreed with the senior leadership team, along with new governance structures following the separation of the TSE business. The Health and Safety plan covers a number of new and ongoing initiatives including: the further deployment of leadership training; deployment and auditing of codes and practices to reduce fatality risk; increasing capability and competence in process safety knowledge and leadership; behavioural interventions; a new programme of senior safety leadership tours; the development of a Healthy Tata Steel programme; a new mental health policy; a move to a more digital approach to support site health and safety teams; and the development of management systems in line with ISO 45001 to improve the maturity of the current management system. All of these initiatives will continue into 2022/23.

Employee numbers

At 31 March 2022, the number of employees in the Company was 7,890 (2021: 7,992). Further details of the number of employees and related costs can be found in Note 4 to the financial statements.

Employment policies

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

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

During the year ended 31 March 2022, there was regular engagement with trade unions and employees throughout the Company regarding the creation of the separate value chains with work ongoing to review and update the policies, processes and ways of working to align with this new organisational structure.

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

UK Gender pay

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

Relative to national and industry statistics, TSUK's gender pay gap (3.5% mean gender pay gap and 6.8% median gender pay gap) continues to be at the lower end. The 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.

Pension arrangements

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

Further details on this scheme is provided in Note 27.

Modern Slavery Act

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

Community Engagement

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

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

Sustainability & Environment

Sustainable in Every Sense

Tata Steel has a mission to build the leading European steel business that is sustainable in every sense. TSUK has developed a strategy to deliver on this mission based on the United Nation's Sustainable Development Goals. The strategy focuses on being a responsible steel supplier and enabling customers to become more sustainable.

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

Recognition

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

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

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

Climate Action

Commitment

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

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

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

Public Policy Environment

The UK Government has sought to take a leadership position in global climate action and, as part of this effort, they have already legislated for net zero by 2050. In early 2021, UK Government further announced their acceptance of the recommendations of the statutory advisory committee on climate change (UKCCC) and legislated to ensure the UK achieves a 78% reduction in emissions by 2035 (compared to 1990) and that ore-based steelmaking in the UK achieves 'near-zero' emissions by 2035.

The Company is supportive of the strong leadership position on climate action that the UK Government has taken. It is committed to working closely with policy-makers to deliver a profoundly important contribution to the achievement of national aspirations, as evidenced by its emission reduction commitments. Yet, it cannot do this alone. Tackling climate change is an effort that concerns the whole of society and accelerating the pace of decarbonisation of the steel sector will require a set of policy interventions that rapidly strengthen the business case for public and private investment in low-CO_2 steel.

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

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

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

Decarbonisation Activities across Tata Steel UK

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

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

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

CO_2 Emissions Performance and Emissions Trading

The Company met its environmental obligations for calendar year 2021, the first year of the operation of the UK ETS. The allocation of CO_2-credits to its operations continued to be lower than the emitted volume in 2021, with an aggregate shortfall between free allowances and actual emissions of approximately 0.9 million tonnes of CO_2. This ongoing shortfall can be attributed to the continued application of unachievable benchmarks for the allocation of allowances to steel producers and the application of a cross sectoral correction factor to downwards adjust the free allocations to installations across all so-called carbon leakage sectors.

Product innovation

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

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

Transparency & Disclosure

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

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

Life cycle assessment

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

In the automotive sector, lightweighting remains a key lever for reducing the CO2 emissions of vehicles in their use-phase. LCA can be used to demonstrate how embodied CO2 derived from the manufacture of advanced and ultra-high strength steel can be offset by downgauging parts to make them lighter. Savings in mass means CO2 savings: less material is required to manufacture the vehicle and a lighter vehicle produces fewer emissions in use.

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

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

Environment

Environmental Policy

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

Year in Focus

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

Energy and carbon emissions reporting

Overview

In April 2019, the UK Government introduced legislation called Streamlined Energy and Carbon Reporting (SECR), which mandates that defined companies include energy and carbon emissions in their annual reports. In addition, a narrative on the principal measures taken for the purpose of increasing the business's energy efficiency is required. Both parts of the required information are provided below.

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

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

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

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

At its Port Talbot steelworks, the Company is keen to investigate options to increase the amount of steel scrap it recycles alongside the fresh iron it makes in its blast furnaces. Options are currently being evaluating for using more scrap at Port Talbot and, it is hoped to be able to access funding under the UK’s Industrial Energy Transformation Fund to realise the identified opportunities.

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

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

GHG emissions and energy use 2021/22

	Scope	Units	UK[1]
Gaseous fuel for combustion[3]	1	kWh	9,358,335,065
Fuel for transport and business travel[2]	1	kWh	17,463,147
Purchased electricity[3]	2	kWh	827,321,158
Fuel for transport and business travel[2]	3	kWh	19,609,987
Energy consumption based on above		**kWh**	**10,222,729,357**
Emissions from gaseous fuel[3]	1	tCO_2e	5,604,694
Emissions from fuel for transport and business travel[2]	1	tCO_2e	4,655
Emissions from purchased electricity[3]	2	tCO_2e	173,870
Emissions from fuel for transport and business travel[2]	3	tCO_2e	5,334
Total gross emissions		**tCO_2e**	**5,788,553**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.655**

GHG emissions and energy use 2020/21

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

Notes

1. The data for UK assets is based on the scope of the organisation as covered in the Financial Accounts 21/22; the derogation to exclude legal subsidiaries that did not meet the definition of "large" was applied. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the UK Emission Trading System (UK ETS). Where available, site specific conversion factors were used and where not, national government factors were used. The financial control approach (as opposed to equity split) was used to define the organisational boundaries; deductions were made for onward third party supplies. Greenhouse gas emissions are reported as CO_2e but only include CO_2 emissions. Figures for the UK emissions intensity are based on liquid steel output from the Port Talbot site.
2. Scope 1 was defined to include on-site vehicular re-fuelling and mileage/ fuel claims relating to fuel used in company-owned or leased (capitalised on balance sheet as per IFRS 16) vehicles, both on and off-site. Scope 3 was defined to include fuel consumption of time-chartered vessels plus mileage claims and fuel claims relating to fuel used in employee-owned vehicles off-site. Where clarity on the lease status was unavailable, the fuel was divided evenly between scopes 1 and 3. Conversion to energy and CO_2 was based on factors provided by UK government. If unknown, vehicle type and fuel consumption per km, were based on national averages.
3. Only imported electricity was reported, that is, electricity generated on-site was not included; the associated emissions were included in the gaseous fuel emissions. The grid emission factor taken for the UK was 0.210 kg CO_2/kWh.
4. Part of the data was subject to third party verification conforming to UK ETS rules and regulations. This covered the period April-December 2021 only and included 99.5% of the UK natural gas consumption and 100% of the consumption of works arising gases at Port Talbot.
5. The slight increase in gross emission per tonne of liquid steel since the prior year is driven by process variability with a number of operational factors contributing to the overall efficiency.

Research & development

Research & Technology programme

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

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

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

Product market sector developments

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

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

In the Construction sector, TSUK launched five new products which included extending the capability of Linepipe offerings for offshore Oil & Gas application in the X65/X70 grade range and extending the dimensional range of premium cold-formed Hybox® tubes. Further, the Company improved the sustainability credentials of the Contiflo® range of precision tubes with an odour free and low environmental impact internal coating aligned to latest environmental standards.

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

£m	2021/22	2020/21
Liquid steel production (mt)	3.5	3.4
Steel deliveries (mt)	3.3	3.2
Revenue	**3,124**	**1,976**
EBITDA	**215**	**(94)**
Depreciation and amortisation (net of grants)	(54)	(58)
Operating profit/(loss) before restructuring, impairment and disposals	**161**	**(152)**
Restructuring, impairment and disposals	(22)	(120)
Operating profit/(loss)	**139**	**(272)**
Net finance costs	(59)	(77)
Share of post-tax results of joint ventures and associates	2	2
Profit/(loss) before taxation	**82**	**(347)**
Taxation credit/(charge)	126	(187)
Profit/(loss) after taxation	**208**	**(534)**

Profit and loss

The Company's revenue of £3,124m in 2021/22 was 58% higher than the previous year due to a 53% increase in average revenue per tonne and a 3% increase in deliveries. This improvement is attributable to the recovery of the European steel market from the weakened market conditions caused by the COVID-19 pandemic in the previous year.

The operating result before restructuring, impairment and disposals in 2021/22 was a profit of £161m compared to a loss of £152m in 2020/21 due to increased steel spread levels driven by higher demand as the European steel market improved. The increased operating result before restructuring, impairment and disposals was despite higher costs of energy with prices rising significantly in the second half of 2021/22.

Restructuring, impairment and disposals was a charge of £22m in 2021/22, £98m lower than 2020/21, due primarily to the prior year containing a higher impairment charge relating to write down of assets, following the difficult trading conditions experienced in that year.

Net finance cost in 2021/22 was £59m, £18m lower than 2020/21. The current year includes lower interest costs due to debt to equity conversion within the year.

Taxation was a net credit of £126m in 2021/22 compared to a net charge of £187m in 2020/21. The current year credit largely consists of a £102m deferred tax credit in relation to increased deferred tax assets recognised following higher profitability projections. The tax charge in 2020/21 includes a UK deferred tax charge of £186m which was recognised in the income statement to offset a net deferred tax credit in other comprehensive income relating mainly to BSPS actuarial losses.

The profit after tax in 2021/22 was £208m compared to a loss of £534m in 2020/21 due to a higher operating result supported by the lower restructuring, impairments and disposals, lower finance costs and lower taxation.

Financing

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

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

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

The short-term working capital funding previously provided by TSL group companies to the Group ended on 30 June 2021. For further details, please see note 16.

Acquisitions and Disposals

Across the wider Tata Steel Group there is a continuing focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce complexity, aid in transparency and improve corporate governance. During the current year TSUK completed the dissolution of 30 subsidiaries (29 UK and Ireland, 1 rest of World). As at 31 March 2022 there were 28 non-trading subsidiaries in voluntary liquidation (28 UK and Ireland) and it is anticipated these will enter into dissolution within 2022/23.

Full details of TSUK's subsidiary companies can be found in note 32 of the accounts.

Capital expenditure

Capital expenditure on property, plant and equipment in 2021/22 at £100m (2020/21: £86m) included spend on a number of major capital projects in the UK.

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

Balance sheet

TSUK's net assets at 31 March 2022 were £2,256m (31 March 2021: £641m).

The increase of £1,615m was due to the profit after taxation of £208m (2020/21: loss of £534m) caused mainly by the favourable trading conditions following the lifting of COVID-19 restrictions on the economy, other comprehensive income of £71m (2020/21: loss of £794m) caused mainly by gains arising on cash flow hedges (with the prior year loss mainly caused by actuarial movements on pension schemes), along with an increase in share premium of £1,336m following issuances of new equity in the year (see note 22).

Net debt at 31 March 2022 amounted to £852m (31 March 2021: £780m). Of the net debt, approximately 10% was owed to TSUK parent companies and 56% was owed to TSUK subsidiaries (31 March 2021 34% and 44% respectively). Cash and short term deposits at 31 March 2022 amounted to £100m (31 March 2021: £56m). Further details on borrowings can be found in Note 16.

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, movements in exchange rates, and commodity costs. Derivative and other financial instruments are used to manage any exposures where considered appropriate. Further details of its financial risks, and the way the Company mitigates them, are set out in Note 23.

A5. Section 172, Companies Act 2006

This report sets out how the Directors have had regard to the matters set out in 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.

Tata Steel UK Limited (TSUK) is Tata Steel's principal operating company in the UK and an indirect material subsidiary of the Tata Steel Europe Limited (TSE) and Tata Steel Limited (TSL) Groups. Until 30 September 2021, primary management and strategic direction of the TSE Group was carried out at TSE level. As described on page 26 of the TSUK Annual Report and Accounts, during the year TSE restructured its principal operating business in the UK and mainland Europe, into two Value Chains with the Separation becoming effective on 1st October 2021. Since then, the UK Value Chain has adopted new governance arrangements appropriate for the size and scope of the Company. Further information in relation to these governance arrangements is contained in the Corporate Governance report on pages 26 to 30 of this annual report.

Following Separation, executive management is no longer conducted at a TSE Group level and the TSE Board is accordingly focused on financial governance and oversight of the consolidated results of the TSE Group. Day-to-day management of TSUK's operations now rests with a management team in the UK reporting to the Board of TSUK.

The TSUK board promotes high standards of corporate governance throughout the UK Value Chain. The TSUK Board holds regular meetings to consider key proposals and material matters affecting TSUK and its subsidiaries. During the year the TSUK board has met 12 times and considered matters via circulation where it is deemed appropriate to do so.

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 Groups not all decisions taken will align with all stakeholder interests. Accordingly, the TSUK Board has 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 throughout the year through detailed reviews 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 funding, potential divestments and restructuring. Certain decisions also require endorsement and reporting to the TSE and TSL Boards. As set out in the Corporate Governance statement from pages 26 to 30 of the annual report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

During 2021/22, the TSUK Management Team under the supervision of the Board has continued to support the TSE Group's Transformation Programme, which is focused on the longer term financial stability and sustainability of the UK Value Chain and continues to monitor and assess liquidity in the shorter term. The Board has also considered proposals with respect to the Company's plans for decarbonisation, equity restructurings, financing arrangements and capital investments, all of which best support the Company in the longer term. The Board has also considered the Separation of the UK and Mainland Europe businesses and approved new governance arrangements, including new delegations of authority within its policy framework for the UK Value Chain. A further review of the policy framework is planned for 2022/23.

(b) The interests of the company's employees

Disclosures in relation to TSUK's employees are set out in this Strategic Report on page 10 and in the Corporate Governance statement on page 28 of the annual report.

The Board has regard to the interests of the Company's employees in its decision-making and the Company engages with employees and employee representatives as appropriate. The TSUK Board recognises the importance of attracting, retaining and motivating employees to enable TSUK to deliver its strategic objectives and prioritises the health, safety and wellbeing of its workforce and those partners who work at TSUK's sites. Health and safety performance is considered at each Board meeting and features prominently in communications from senior management with employees to reinforce that health and safety is and remains a core value of the Company. The Board also recognises that TSUK's pensioner community remain important stakeholders and has considered pension matters during the year.

The Board has also had regard to the impact on employees and local communities when considering proposals for business restructuring, including Separation.

The Company has established processes in place for performance reviews and employee appraisals, which are undertaken on an annual basis with an interim half yearly review.

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

The Board has regard to a range of stakeholder relationships in its decision making. Relationships with suppliers and customers are principally managed through the engagement of the procurement and commercial functions within the Company which are now represented in the Board through the Chief Operations Officer and Chief Commercial Officer. The Company also has regard to its relations with UK Government and Directors have participated in discussions with members of UK Government during the year. Further information can be found in the Corporate Governance statement under Principle 6 on page 28 of the Annual Report.

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

The Board is aware of the impact of steel manufacturing on the environment and the communities in which TSUK operates. Environmental performance is regularly reviewed and a key ambition is that TSUK should be carbon neutral by 2050. During the year, the Board has considered the decarbonisation strategy of the Company and receives regular updates as to the implementation of TSUK's decarbonisation objectives. The Board is also conscious that this is an effort that concerns the whole of society and will require positive industrial policy interventions to enable the steel industry to make the very substantial investments required to become carbon neutral.

The Company 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 continues to be a participant in the South Wales Industrial Decarbonisation Cluster, a network of industries in South Wales working together to develop shared decarbonisation infrastructure and drive net zero carbon in heavy industry in South Wales. More information with regards to TSUK's sustainability objectives can be found in TSUK's sustainability report.

As a major employer in the areas of its operations, TSUK acts as a cornerstone for local businesses. TSUK also supports a number of community initiatives along with its contracting partners, more information is available in the Corporate Governance report on page 30.

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

The 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 26 of the Annual Report. In addition, the Tata Code of Conduct, which is a series of principles supporting the Tata values and ethical conduct, is expected to apply to all Tata branded companies. 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 by the TSUK board. The Company has a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. Board directors, senior management and relevant employees are required to undertake regular compliance training and assessments.

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

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), a non-controlling minority interest in TSUK is held by the BSPS Trustee on behalf of the new scheme. Following debt restructuring and subsequent equity issuances, this minority interest has been diluted to less than 0.001 % of the rights to share in distributions. Notwithstanding this dilution, the Company continues to provide information to the minority shareholders and otherwise act in accordance with the terms of the shareholders' agreement. TSUK has mechanisms in place for reporting to the TSE and TSL boards.

A6. Approval of Strategic Report

Section A of this Annual Report comprises a strategic report for the Company which has been prepared in accordance with, and in reliance upon, applicable English and Welsh company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by the law.

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

M J Davies
Director
8 July 2022

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 (2020/21: nil).

Political donations

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

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

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

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

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

Independent Auditors

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

In previous years, as part of the wider TSE group, the Company was financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which were authorised, and supported, by TSL by way of a non-binding letter of parental support. On 30 June 2021, the Company received equity proceeds of £959m from its parent company Corus Group Limited ('CGL'), the funding for which had originally been provided by TSL group companies, in order to settle all working capital support which had previously been provided by Proco. In addition to strengthening the balance sheet, this conversion of working capital support to equity reduced the Company's cash interest cost by c. £60m per year.

On 31 March 2022 further support provided by CGL via an equity injection of £377m to convert loans and interest payable to TSE Group companies into equity.

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

Corporate Governance

For the year ended 31 March 2022, the Company has applied the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework for its governance arrangements.

Principle 1 - Purpose and Leadership

Tata Steel UK Limited (TSUK) is Tata Steel's principal operating company in the UK and an indirect material subsidiary of the Tata Steel Europe (TSE) and Tata Steel (TSL) Groups. During the year, TSE restructured its principal operating businesses in the UK and mainland Europe into two Value Chains effective from 1 October 2021. Until 30 September 2021, primary management and strategic direction of the TSE Group was carried out at TSE level and day-to-day management was conducted through the TSE Executive Committee.

Following Separation, TSUK adopted new governance arrangements to reflect the UK Value Chain's size and complexity. At Separation, the TSUK Board became responsible for governance and oversight of the Company's business, including setting strategic priorities and monitoring the performance of the TSUK Group. From Separation and up to 31 March 2022, day-to-day responsibility for executive management of the TSUK Group was delegated to the Managing Director TSUK. In March 2022, following the resignation and departure of the Managing Director from the TSUK Group, the Board resolved to delegate that responsibility to a Management Team focused on delivery of the Company's annual plan objectives. In addition, the TSUK Senior Leadership Team, comprising the Management Team and other senior leaders, are collectively responsible to the Board for all the functional activities of the Company. Members of the Management Team and Senior Leadership Team report to the non-executive Chairman of the Board.

During the year, the Board considered and adopted changes to the Company's governance arrangements including new delegations of authority and adaptations to the Company's management structure. It is expected that the Board will continue to review the TSUK Group's governance arrangements during FY2022/23.

Following Separation, the TSE Board is principally concerned with assurance of the TSE Group's financial statements and further details of TSE's corporate governance arrangements can be found in the TSE Annual Report and Accounts.

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". The vision of the TSL Group is to strive to be the global steel industry benchmark for value creation and corporate citizenship. It is expected that the TSUK Board will review the application of this vision in FY2022/23 to align with the purpose, strategic priorities, and key objectives of the UK Value Chain. The Company continues: to work with suppliers to shape a more sustainable future through partnering to source sustainable raw materials originating from responsible supply chains in line with the Group's Responsible Procurement Policy; to engage with customers to create sustainable solutions and products that society needs; to be an innovator of carbon-neutral steelmaking and demonstrate a commitment to the way sustainable steel is produced and delivered; to empower its people and engage and work with its communities, whilst creating value for the shareholder. All of these activities are underpinned by the Tata Values, which are outlined below.

There are five core values which are shared by all Tata companies worldwide and which continue to direct the growth and business of these companies and inform expected behaviours and practices. These values are Pioneering, Responsibility, Excellence, Unity and Integrity and underpin the way the Company does business.

The Company's purpose, values, vision, mission, strategy and key messages are communicated through internal communications and senior manager updates. The Management Team also use regular live streaming events to communicate key information, such as information on business performance, to the Company's employees.

Principle 2 - Board Composition

During the FY2021/22 financial year the board membership initially comprised four Directors, being one Director with primary executive responsibility for the UK Value Chain, who also acted as Chairman of the Board, and three Directors holding senior positions in the TSE or TSL Group, two of whom are also directors of the TSL board. On 8 March 2022, the Director with primary executive responsibility for the UK

Value Chain resigned and left the TSUK Group on 31 March 2022.

Following this development, and in consideration of the size and complexity of TSUK and the UK Value Chain and the wider remit for strategy and performance, the Board restructured its membership increasing the number of Directors from four to six. In addition, one of the existing Directors holding a senior position in the TSL Group assumed the role of Chairman. Three senior representatives from the Company’s executive Management Team, being the Chief Operating Officer, the Chief Commercial Officer and the Chief Financial Officer were appointed to the Board on 17 March 2022. These roles report to the Chairman of the Board who acts in a non-executive capacity in relation to the affairs of the Company.

The Board’s current composition is expected to allow it to continue to meet the strategic needs of the Company and the UK Value Chain and support effective decision making to meet its future challenges All members of the Board have extensive experience of the steel manufacturing sector, the wider Tata Steel Group and the markets in which the Company operates. The size and composition of the Board therefore remains appropriate for the size and complexity of the Company.

Day-to-day management of the Company’s business is now carried out by a Management Team comprising the Chief Operating Officer, the Chief Commercial Officer, the Chief Financial Officer together with selected functional senior leaders. Members of the Management Team report directly to the Chairman.

The Board continues to have representation from different ethnic backgrounds. While the Board no longer has any women directors, the Board and the UK Management Team is conscious of the need to take steps to further enhance its diversity and that of the TSUK Group. The TSUK Group’s Diversity and Inclusion Policy is currently under review and will be relaunched in 2022.

TSUK does not have its own Nominations Committee as this is dealt with at TSL level. Any TSUK subsidiary board appointments are required to be considered by the Board.

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

Board effectiveness reviews have previously been undertaken at Tata Steel Europe level. The TSUK Board effectiveness review, which was delayed due to the global pandemic, is expected to take place in financial year 2022/23 to assess the effectiveness of the restructured board.

Principle 3 - Directors responsibilities

Up to 30 September 2021, the Board convened meetings as and when required to discuss material matters affecting the Company and its subsidiaries, including health, safety and environmental matters, pension matters, liquidity and key commercial and investment decisions. Post Separation, the Board has met to review among other things, health and safety performance, financial performance and liquidity and any other significant items which materially impact TSUK. Directors' interests are reported at each Board meeting.

At TSE Group level there have been established committees in certain areas. In particular, the Audit Committee has taken responsibility for the review and assurance of audit and legal compliance matters. The TSE committee structures will be reviewed in 2022/23.

Safety, Health and Environment (SHE) matters are reviewed at TSL Group level by a SHE Committee. TSUK is represented at the SHE committee by the TSUK Chairman. Following Separation, the UK Value Chain is implementing new governance arrangements for health and safety. These will recognise the responsibility of the TSUK Board as well as the role of the Management Team working through the UK Health & Safety Management Committee, comprised of Management Team members and other senior leaders, including those with specialist health and safety expertise. Under the new arrangements TSUK will continue to report material health, safety and environmental matters which impact TSUK to the TSL SHE Committee.

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

The Board continues to recognise the application of the TSE Group Policy Framework subject only to administrative changes necessary to reflect Separation. The TSUK Board has specifically approved new Delegations of Authority, which reflect the new operating and management structures. A full review of the Group Policy Framework as applicable to the Company's operations in the UK and elsewhere will be undertaken in 2022.

Principle 4 - Opportunity and Risk

The Board has considered for approval material and strategic projects, contracts and other opportunities (as defined by value and duration) in addition to monitoring the performance of the Company and the TSUK Group's longer term financial sustainability. From 1 October 2021, the Transformation Programmes of TSE's principal operating subsidiaries in the UK and the Netherlands are now under the remit of the respective subsidiary boards. Climate change and decarbonisation continue to be key risks and the Company is constantly seeking opportunities to work with a number of partners to address TSUK's sustainability and CO2 reduction objectives for a sustainable business in the long term, more information is contained in the Sustainability and Environment section of the annual report.

The principal risks and uncertainties affecting TSUK and mitigating actions taken in respect of them are set out in the Strategic report on pages 4-8 of the annual report.

An Enterprise Risk Management (ERM) framework has been deployed by the Board, in alignment with TSL's ERM framework. TSUK's Risk Committee meets quarterly and includes all members of the Management Team. The Risk Committee also has representation from the ultimate parent company, TSL. Its principal purpose is to assess and identify TSUK's most significant and emerging risks. In addition, monthly risk management sub-committees are held by each of TSUK's Chief Operating Officer, Chief Financial Officer and Chief Commercial Officer.

The UK Value Chain has a Compliance and Integrity Committee (C&IC) which meets quarterly. There is a regular joint meeting with the equivalent MLE Value Chain Committee as a forum to discuss matters of common interest. Reports are submitted by the C&IC to the UK Board and to the TSE Audit Committee on a six-monthly basis.

Principle 5 - Remuneration

The Company has a policy which sets out TSUK's 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. External benchmarking is undertaken periodically to ensure alignment with good practice and the market, the input from which is used to inform decision making with respect to TSUK's reward and recognition principles.

A Remuneration Committee has met at a TSE Group level as and when required to consider material matters including those which impact TSUK. Following Separation, executive management is no longer undertaken at the TSE level so the purpose and scope of the TSE Remuneration Committee will be reviewed in FY2022/23. The remuneration of TSUK Company Directors who hold positions in the wider TSL Group is a matter for the parent company, TSL.

TSUK has published its Gender Pay Gap report for 2021. Further information in relation to the Gender Pay Gap is available on page 11 of the 2021-22 Annual Report and on the Corporate Governance pages of the Tata Steel Europe website (Corporate Governance | Tata Steel in Europe (tatasteeleurope.com))

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.

TSUK prioritise the health, safety and wellbeing of employees, contractors and other partners. Health and safety is particularly prominent in Management Team and senior leadership communications and management reviews. TSUK's health and safety ambition is Zero Harm and the health and safety annual plan and framework supports this ambition through engagement and communication with all the Company's employees, trade union representatives and contracting partners. Regular meetings, briefings and health and safety culture surveys are then used to develop future areas of focus to move towards the ambition of zero harm.

During the global pandemic in 2021/22, the Company operated an agile approach to working and many employees continued to work from home where appropriate to do so. To support the wellbeing of all staff, TSUK continues to collaborate with external partners to support the mental health and wellbeing of its workforce. In this regard, the Company launched its Mental Health and Wellbeing Policy in February 2022, with additional line manager training and resources to support an open and supportive culture. TSUK also held its first Mental Health Open day at the Port Talbot site in May 2022. More information with regards to employees is contained in the Employee section of the Business review in the annual report.

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. With the effects of the global pandemic continuing during the first half of the year, digital media continue to be used to engage with employees, such as regular live streaming events to deploy performance updates and to communicate the strategy and goals for the financial year ahead. Regular employee surveys are conducted, the results of which are used to drive areas of continuous improvement for employee engagement.

TSUK also engages with trade unions as appropriate. In 2021/22, the TSE Group engaged with employee representatives in relation to the proposed separation of the business. TSUK has also engaged with the UK trade unions with regards to material matters that impact the UK workforce.

The TSUK Board includes directors of the ultimate parent company, TSL, and is therefore able to consider key matters in a wider Tata Steel Group context and to consider the interests of the shareholder on applicable matters. TSUK is required to report to the ultimate parent company on matters referred to in the Group Policy Framework in order to support the Tata Steel Group's 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 a minority shareholder. The Company communicates and provides information to the minority shareholder in accordance with the reporting requirements set out in the Company’s shareholders’ agreement.

Directors and senior managers with relevant areas of expertise liaise with Government bodies, including regulators, as appropriate. Further participation by TSUK is expected in FY 2022/23.

The Company encourages suppliers to work with the TSE Group to create value for end customers, society and the TSE Group's shareholders. The TSUK Group continues to operate to a Responsible Procurement Policy which underpins TSUK’s commitment to ensuring supply chain transparency which 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 Supply Chain Transparency pages of the Tata Steel in Europe website and page 26 of the annual report.

Delivering an excellent customer experience is a key strategic priority for Tata Steel, and its business model, centred around direct engagement with customers aligned to market sectors allows for continuous feedback to support this. Tata Steel in Europe operates with one face to the Customer and evaluates performance through Voice of the Customer listening activities, including a regular Customer Satisfaction survey. The survey, carried out in 2021, covered overall satisfaction, support for customers during the pandemic and learning about customers’ sustainability priorities, with results showing an overall increase in Customer Satisfaction Index compared to the previous survey. Results were deployed centrally and in the UK Value Chain, and outcomes and learnings from the survey have been integrated into relevant account plans and the strategic improvement activities.

As a leading steel producer and part of the TSE Group, the Company is dedicated to managing its operations responsibly and to continuously improve to create a sustainable business in the long term, with sustainability at the heart of the Group's strategy. TSUK has set out its ambition to reduce CO2 emissions by 30% by 2030 with aims to be carbon neutral by 2050. TSUK is also a member of the South Wales Industrial

Cluster and engages with major industrial partner organisations in the Welsh region on decarbonisation related activities. More information with regards to TSUK's decarbonisation activities can be found in the Sustainability and Environmental section within the Business Review of the annual report and in TSUK's sustainability report (TSUK Sustainability Report 2021.pdf (tatasteeleurope.com))

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

During 2021/22, TSUK continued to hold a number of its community events online due to the global coronavirus pandemic. Whilst there have been fewer events than in previous years, TSUK continues to promote Women in Steel with sessions held virtually with local partners. The Tata Kids of Steel events which are of series of inclusive and fun sports activities were cancelled in 2021 due to the pandemic and are set to resume in June 2022 in partnership with the Brownlee Foundation. TSUK's operations encompass large areas of natural habitat including a number of sites of Special Scientific Interest (SSIs) in addition to meeting our responsibilities for these protected sites, TSUK encourages biodiversity on its sites through working with local partners and Natural Resources Wales to increase the biodiversity of its sites and the surrounding nature reserves in the UK.

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

A review of the TSE Group's business performance, processes and practices has previously been carried out as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against established criteria. Leadership is a key category of the assessment model and the assessors review the operation of governance in the Company. 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 Board who then make recommendations for improvement. Following Separation, TSUK will undertake an assessment, which is expected to take place in 2023.

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 28 of the Annual Report.

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 28 of the Annual Report.

Post balance sheet events

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

Information disclosed in the Strategic report

The following information has been disclosed in the strategic report:

- A review of the strategic activities (see page 3);
- Principal risks and uncertainties (see page 4);
- Business environment and prospects (page 9);
- Employee information (page 10);
- Sustainability & Environment (page 11);
- Climate Action (page 12);

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

M J Davies
Director
Registered Office:
18 Grosvenor Place,
London,
SW1X 7HS
8 July 2022

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

The directors are responsible for preparing the Report & Accounts 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, 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 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 also 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 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:

M J Davies
Director
Registered Office:
18 Grosvenor Place,
London,
SW1X 7HS
8 July 2022

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 2022 and of its profit 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 2022 (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Income statement, the Statement of comprehensive income and 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.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's assessment and supporting calculations of forecast cash requirements, including the forecast covenant compliance performance under the Senior Facilities Agreement;
- Scrutinising key assumptions underlying management's assessment; including macroeconomic conditions such as steel spread and raw material prices;
- Undertaking sensitivity analysis to assess the extent to what level key assumptions would have to deteriorate in order to reduce liquidity headroom, thus threatening covenant compliance and potentially change management's conclusions; and
- Reviewing documents relating to recent refinancing and available borrowing facilities and considering the extent of required repayments over the going concern period.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

In light of the knowledge and understanding of the 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health & safety and employment regulations, as well as climate-related regulations such as the Environmental Protection Act 1990 and the Pollution Prevention and Control Act 1999, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK taxation legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions to overstate profits reported to Tata Steel Limited in order to maintain or increase value to shareholders of the Group. Audit procedures performed by the engagement team included:

- Discussions with management and legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board minutes and reports that set out the Company's compliance and monitoring of legal and internal control matters;
- Identifying and testing journal entries, in particular those having unusual account combinations involving revenues or other credits to the profit or loss account;
- Obtaining third party confirmations of banking and financing arrangements held by the Company; and
- Inquiring with relevant personnel to understand management's processes for identifying and reporting risks and threats within the Company.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

F1. Income statement

For the financial year ended 31 March

	Note	2022 £m	2021 £m
Revenue	1	**3,124**	**1,976**
Operating costs excluding restructuring, impairment and disposals		**(2,964)**	**(2,128)**
Restructuring, impairment and disposals		**(21)**	**(120)**
Total operating costs	2	**(2,985)**	**(2,248)**
Operating profit/(loss)		**139**	**(272)**
Income from subsidiaries and joint arrangements	5	**2**	**2**
Profit/(loss) before interest and taxation		**141**	**(270)**
Finance costs	6	**(62)**	**(80)**
Finance income	6	**3**	**3**
Profit/(loss) before taxation		**82**	**(347)**
Taxation	7	**126**	**(187)**
Profit/(loss) after taxation		**208**	**(534)**

All references to 2022 in the Financial statements, the presentation of accounts and accounting policies and the related Notes 1 to 32 refer to the financial year ended 31 March 2022 or as at 31 March 2022 as appropriate (2021: the financial year ended 31 March 2021 or as at 31 March 2021).

Notes and related statements forming part of these accounts appear on pages 39 to 68.

F2. Statement of comprehensive income

For the financial year ended 31 March

	Note	**2022** **£m**	2021 £m
Profit/(loss) after taxation		**208**	(534)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans	27	**30**	(982)
Income tax relating to items that will not be reclassified	7	**(8)**	187
Items that may be reclassified subsequently to the income statement:			
Gains arising on cash flow hedges	23	**60**	1
Income tax relating to items that may be reclassified	7	**(11)**	-
Other comprehensive income/(loss) for the year net of tax		**71**	(794)
Total comprehensive income/(loss) for the year		**279**	(1,328)

Notes and related statements forming part of these accounts appear on pages 39 to 68.

F3. Balance sheet

As at 31 March

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	8	**19**	22
Property, plant and equipment	9	**528**	475
Investments and loans to subsidiary and fellow group undertakings	10	**326**	329
Other non-current assets	11	**-**	1
Deferred tax assets	12	**104**	-
Retirement benefit assets	27	**2,049**	1,988
		3,026	2,815
Current assets			
Inventories	13	**685**	492
Trade and other receivables	14	**276**	227
Current tax asset	18	**-**	1
Cash and short term deposits	15	**100**	56
		1,061	776
TOTAL ASSETS		**4,087**	3,591
Current liabilities			
Inter-group borrowings	16	**82**	259
External borrowings	16	**180**	34
Trade and other payables	17	**786**	1,764
Current tax liabilities	18	**3**	8
Short term provisions and other liabilities	19	**24**	238
		1,075	2,303
Non-current liabilities			
Inter-group borrowings	16	**481**	353
External borrowings	16	**209**	190
Retirement benefit obligations	27	**8**	8
Provisions and other liabilities	19	**55**	81
Other non-current liabilities	20	**1**	13
Deferred income	21	**2**	2
		756	647
TOTAL LIABILITIES		**1,831**	2,950
NET ASSETS		**2,256**	641
Equity			
Called up share capital	22	**2,242**	2,242
Share premium account		**4,523**	3,187
Capital redemption reserve		**47**	47
Hedging reserve		**46**	(3)
Accumulated losses		**(4,602)**	(4,832)
TOTAL EQUITY		**2,256**	641

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

M J Davies

Director

8 July 2022

Tata Steel UK Limited

Registered No: 02280000

Notes and related statements forming part of these accounts appear on pages 39 to 68.

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 2020	**2,242**	**3,187**	**47**	**(4)**	**(3,503)**	**1,969**
Loss for the year	-	-	-	-	(534)	**(534)**
Other comprehensive income/(loss) for the year	-	-	-	1	(795)	**(794)**
Total comprehensive income/(loss) for the year	-	-	-	1	(1,329)	**(1,328)**
Balance as at 31 March 2021	**2,242**	**3,187**	**47**	**(3)**	**(4,832)**	**641**
Profit for the year	-	-	-	-	208	**208**
Other comprehensive income for the year	-	-	-	49	22	**71**
Total comprehensive income for the year	-	-	-	49	230	**279**
Issue of ordinary shares	-	1,336	-	-	-	**1,336**
Balance as at 31 March 2022	**2,242**	**4,523**	**47**	**46**	**(4,602)**	**2,256**

Notes and related statements forming part of these accounts appear on pages 39 to 68

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 2021.

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.

In previous years, as part of the wider TSE group, the Company was financed in part through working capital support provided by T S Global Procurement ('Proco'), a subsidiary of TSL, under arrangements which were authorised, and supported, by TSL by way of a non-binding letter of parental support. On 30 June 2021, the Company received equity proceeds of £959m from its parent company Corus Group Limited ('CGL'), the funding for which had originally been provided by TSL group companies, in order to settle all working capital support which had previously been provided by Proco. In addition to strengthening the balance sheet, this conversion of working capital support to equity reduced the Company's cash interest cost by c. £60m per year.

On 31 March 2022 further support provided by CGL via an equity injection of £377m to convert loans and interest payable to TSE Group companies into equity.

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

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

II New Standards and interpretations applied

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

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

** periods commencing on or after*

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

'Phase 2' of the Interest Rate Benchmark Reform amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised.

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

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

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

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

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

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

III New Standards and interpretations not applied

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

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

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

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

IV Use of estimates and critical accounting judgements

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

(i) reported amounts of assets and liabilities;
(ii) disclosure of contingent assets and liabilities at the date of the accounts; and
(iii) 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 judgements in applying the Group's accounting policies

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

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

A significant part of the 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. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In previous years these have usually been taken to be individual businesses, although these are combined or split into base entities where deemed appropriate to reflect the specific economic risks or operational inter-dependence of particular locations and operations based on the governance structure and lines of reporting. This process of defining CGU's requires the exercise of significant judgement.

Following the formal separation of TSE into a UK and MLE value chain on 1 October 2021, the definition of the CGUs within the Company has been updated for the current year. There is a significant change in the governance structure of the UK business, of which the Company is the largest element as it now has a separate executive and leadership team as well as associated changes to reporting and processes. IAS 36 specifies that cash generating units should be identified consistently from period to period for the same asset or types of assets, unless a change is justified. As a result of the separation, all UK based operations are combined as part of the Company legal structure to reflect the fact that following separation the Company is all under common management rather than operating as separate businesses.

2) Measurement of retirement benefit obligations

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.

Key sources of estimation uncertainty

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

1) Measurement of provisions

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 19.

2) Impairment of non-current assets

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

3) Recognition of deferred tax assets

The recognition of deferred tax assets is subject to estimations of the future available taxable profits that the directors consider to be more likely than not to occur, based on the Company's annual plans and future forecasts. Further information can be found in note 12.

4) Post-retirement benefits

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

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

5) Assessing recoverability of loan receivables

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.

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

V Critical accounting policies

(a) Property, plant and equipment

Property, plant and equipment is recorded at fair value on acquisition less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for assets constructed by the 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:

		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 2022 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(e) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and relevant those provisions are discounted to take into consideration the time value of money.
In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been made at the end of the reporting period. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

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

TSUK participates in the UK 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.

VI 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.

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 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.

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(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.

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. The incremental borrowing rate is calculated with reference to the businesses cost of funding, length of the lease and the suitability of the assets to leasing.
Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension options, if the Company is reasonably 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 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.

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:

	2022 **£m**	2021 £m
Revenue by destination:		
UK	**1,856**	1,108
Europe excluding UK	**1,146**	742
Rest of the world	**122**	126
	3,124	1,976

2. Operating costs

	2022 **£m**	2021 £m
Costs by type:		
Raw materials and consumables	**1,645**	1,034
Maintenance costs (excluding own labour)	**250**	229
Other external charges (including fuels & utilities, hire charges and carriage costs)	**569**	320
Employment costs (Note 4)	**406**	313
Depreciation, amortisation and impairment (Notes 3,8 & 9)	**62**	176
Other operating items (including rents, rates, insurance and general expenses)	**180**	169
Changes in inventory of finished goods and work in progress	**(122)**	2
Own work capitalised	**(2)**	(1)
Profit on disposal of property, plant and equipment	**(11)**	(9)
Loss on disposal of group undertakings (Note 31)	**8**	15
	2,985	2,248

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	**Total** **£m**
The above cost in 2022 includes:			
Raw materials and consumables	1,645	-	**1,645**
Maintenance costs (excluding own labour)	250	-	**250**
Other external charges (including fuels & utilities, hire charges and carriage costs)	569	-	**569**
Employment costs (Note 4)	390	16	**406**
Depreciation, amortisation and impairment (Notes 3,8 & 9)	54	8	**62**
Other operating items (including rents, rates, insurance and general expenses)	180	-	**180**
Changes in inventory of finished goods and work in progress	(122)	-	**(122)**
Own work capitalised	(2)	-	**(2)**
Profit on disposal of property, plant and equipment	-	(11)	**(11)**
Loss on disposal of group undertakings (Note 31)	-	8	**8**
	2,964	21	**2,985**

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

	2022 £m	2021 £m
The above costs are stated after including:		
Amortisation of intangible assets (Note 8)	**5**	6
Depreciation of owned assets (Note 9)	**15**	15
Depreciation of right of use assets	**34**	36
Impairment losses related to intangible assets (Note 8)	**-**	1
Impairment losses related to property, plant and equipment (Note 9)	**7**	65
Impairment losses related to spares (Note 9)	**1**	53
Expenses relating to variable lease payments not included in lease liabilities	**59**	40
Income from subleasing	**-**	(5)
Charge on provision for emission rights deficit (Note 19)	**95**	99
Differences in exchange rates	**13**	(11)
Costs of research and development (gross)	**7**	7
Recoveries on research and development	**(12)**	(8)

The analysis of auditors' remuneration is as follows:

	2022 £m	2021 £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 2022. 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

	2022 £m	2021 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	**14**	2
Pension restructuring costs (Note 27)	**3**	-
Other rationalisation costs	**1**	-
Impairment losses related to property, plant and equipment (Note 9)	**7**	64
Impairment losses related to right of use assets (Note 9)	**-**	1
Impairment losses related to spares (Note 9)	**1**	53
Impairment losses related to intangible fixed assets (Note 8)	**-**	1
	26	121
Credits for restructuring and related measures:		
Redundancy and related costs	**(1)**	(1)
Other rationalisation costs	**(1)**	(6)
	(2)	(7)
Total net restructuring and impairment costs	**24**	114

4. Employees

	2022 £m	2021 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	**343**	292
Social security costs	**34**	31
Pension costs (iv)	**13**	(11)
As included in operating costs	**390**	312
Net redundancy, pension restructuring and related costs (included within restructuring costs)	**13**	1
Pension restructuring costs (iv)	**3**	-
	406	313

(i) The average number of employees during the year was 7,890 (2021: 7,992). This total includes operations staff of 6,697 (2021: 6,718), sales and marketing staff of 341 (2021: 368) and other staff of 852 (2021: 906).

(ii) During the current year as a result of the COVID 19 pandemic, TSUK received £nil (2021: £25m) in relation to employment support from the UK Government. These amounts were credited from the total wages and salaries expense.

(iii) The emoluments of Dr H Adam are paid by other companies within the TSE Group which make no recharge to TSUK. The emoluments of Mr K Chatterjee and Mr T V Narendran are paid by other companies within the TSL Group which make no recharge to TSUK. Up until 30 September 2021, the emoluments of Mr S Biswas were paid by other companies within the TSE Group which made no recharge to TSUK. From 1 October 2021, the emoluments of Mr S Biswas were paid by the Company.

Mr S Biswas, Dr H Adam, Mr K Chatterjee and Mr T V Narendran were directors of TSE and a number of fellow subsidiaries during 2022. 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 of TSL or TSE.

Mr M Davies, Mr A Jhanji and M R Nair were all appointed Directors of the Company on 17 March 2022. Their combined remuneration for this period until 31 March 2022 was less than £100k.

The remuneration of the highest paid director is disclosed within the financial statements of TSE.

Retirement benefits accrued under defined benefit schemes to £nil (2021: £nil) individuals who were directors during the period.

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

	2022 £m	2021 £m
Other defined benefit scheme costs (Note 27)	**(31)**	(54)
Other defined contribution scheme costs (Note 27)	**44**	43
Costs for setting up the new BSPS scheme borne directly by the company	**3**	-
	16	(11)

5. Income from subsidiaries and joint ventures

	2022 £m	2021 £m
Dividends from subsidiaries	**1**	2
Dividends from joint arrangements	**1**	-
	2	2

6. Financing items

	2022 £m	2021 £m
Interest expense:		
Bank and other borrowings	**5**	3
Lease interest costs	**11**	11
Interest on loans from other group companies	**23**	48
Interest on loans from parent undertakings	**18**	14
Discount on disposal of trade debtors within purchase agreement with external companies	**5**	4
Finance costs	**62**	80
Interest income:		
Other interest income	**(2)**	-
Interest receivable from other group companies	**-**	(1)
Lease interest income	**-**	(1)
Interest receivable on deferred proceeds	**(1)**	(1)
Finance income	**(3)**	(3)
	59	77

7. Taxation

	2022 £m	2021 £m
Current year tax charge	**2**	-
Prior year tax credit	**(4)**	-
Deferred tax (credit)/charge (Note 12)	**(123)**	187
	(125)	187

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

	2022 £m	2021 £m
Profit/(loss) before taxation	**82**	(347)
Profit/(loss) before taxation multiplied by the standard corporation tax rate of 19% (2021: 19%)	**16**	(66)
Effects of:		
Adjustments to current tax in respect of prior periods	**(4)**	-
Re-measurement of deferred tax balances following change in tax rate (i)	**(25)**	-
Change in unrecognised losses	**(118)**	247
Other permanent differences	**6**	6
	(125)	187

(i) Remeasurement of deferred tax balances represents the impact of the Spring Budget 2021 (enacted 24 May 2021) whereby the Government announced that the UK corporation tax rate would increase to 25% from 1 April 2023.

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:

	2022 £m	2021 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	**8**	(187)
Revaluation of financial instruments treated as cash flow hedges	**11**	-
	19	(187)

8. Intangible assets

2022	Computer software £m	Patents and trademarks £m	**Total £m**
Cost as at 1 April 2021	230	4	**234**
Additions	2	-	**2**
Disposals	(5)	-	**(5)**
Cost as at 31 March 2022	227	4	**231**
Amortisation as at 1 April 2021	209	3	**212**
Charge for the period	5	-	**5**
Disposals	(5)	-	**(5)**
Amortisation as at 31 March 2022	209	3	**212**
Net book value as at 31 March 2022	**18**	**1**	**19**
Net book value as at 31 March 2021	21	1	22

The remaining amortisation period for computer software is approximately 3 years (2021: 4 years).

(i) The Company recognised nil impairment charge (2021: £1m) against computer software.

9. Property, plant and equipment

2022	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	**Total £m**
Cost as at 1 April 2021	318	3,361	141	158	**3,978**
Additions	-	1	14	64	**79**
Disposals	-	(12)	(12)	-	**(24)**
Reclassifications	3	-	-	-	**3**
Transfer from assets in course of construction	12	78	-	(90)	**-**
Cost as at 31 March 2022	333	3,428	143	132	**4,036**
Depreciation as at 1 April 2021	219	3,172	103	16	**3,510**
Charge for the period	14	28	7	-	**49**
Impairment losses recognised during the period	-	1	-	6	**7**
Disposals	-	(12)	(11)	-	**(23)**
Reclassifications	3	-	-	-	**3**
Depreciation as at 31 March 2022	236	3,189	99	22	**3,546**
Net book value as at 31 March 2022	97	239	44	110	**490**
Spares (net book value)					**38**
Net book value as at 31 March 2022					**528**
Net book value as at 31 March 2021	99	189	38	142	468
Spares (net book value)					7
Net book value as at 31 March 2021	99	189	38	142	475

The additions to the right-of-use assets during the 2022 financial period were £1m (2021: £122m).

The Company recognised a total impairment charge of £8m in the year (2021: £118m). Included within the impairment charge of £8m was £1m for spares (2021: £53m).

Property, plant and equipment was tested at 31 March 2022 for impairment at that date where indicators of impairment existed. During the year changes have been made to the definition of CGU's. For a description as to why the CGUs have changed during the year please see Critical Judgements in Applying the Company's Accounting Policies on page 40. The outcome of this test indicated that using a discount rate of 9.3% (2021: 8.7%) the Tata Steel UK cash generating unit ("CGU") had a value in use which was higher than its carrying value. This resulted in nil impairment to the Tata Steel UK CGU. An impairment charge of £7m (2021: £5m) 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 CGU. The directors believe that a reasonable possible change in any of the key assumptions used in the value in use calculations could cause the carrying value of property, plant and equipment in the TSUK CGU which had a carrying value at 31 March 2022 of £550m, to materially exceed its value in use. An increase in the discount rate used for impairment testing of 1% would result in an decrease of £125m in the headroom of the value in use above the carrying value of the PPE leaving the revised headroom at £14m. A €5/t decrease to the spread assumption used in the third year of the Company's value in use forecast would result in a decrease of £139m in the headroom of the value in use above the carrying value of the PPE leaving the revised headroom at nil. The directors also considered whether to reverse the impairment in the prior year in the TSUK CGU given the improved steel market conditions in 2022. However the directors concluded that it was too early to reverse any impairment charges given steel is a cyclical industry and the headroom on the value in use model for the current year is relatively low and susceptible to a reasonable amount of sensitivity as stated above.

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

(i)

As at 31 March	**2022** **£m**
The net book value of land and buildings comprises:	
Freehold	**22**
Short leasehold	**75**
	97

Which may be further analysed as:	
Right of use assets not subject to operating leases:	
Cost	**132**
Accumulated depreciation	**(57)**
	75
Owned assets	**22**
	97

(ii)

As at 31 March	**2022** **£m**
The net book value of plant and machinery comprises:	
Right of use assets not subject to operating leases:	
Cost	**200**
Accumulated depreciation	**(105)**
	95
Owned assets	**144**
	239

(iii)

As at 31 March	**2022** **£m**
The net book value of spares comprises:	
Cost	**338**
Accumulated depreciation and impairment losses	**(300)**
	38

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

10. Non-current investments

2022	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	Sublease investments	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Cost at 31 March 2021	1,151	93	1	20	7	3	**1,275**
Disposals	(424)	-	-	-	-	(3)	**(427)**
Cost at end of period	727	93	1	20	7	-	**848**
Provisions at 1 April 2021	889	29	1	20	7	-	**946**
Disposals	(424)	-	-	-	-	**-**	**(424)**
Provisions at end of the period	465	29	1	20	7	**-**	**522**
Net book value at 31 March 2022	**262**	**64**	**-**	**-**	-	**-**	**326**
Net book value at 31 March 2021	262	64	-	-	-	3	329

(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 based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and a pre-tax discount rate of 9.3% (2021: 8.7%), has been used. Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The pre-tax discount rate is derived from the Company's WACC and the WACCs of its main European steel competitors adjusted for country specific risks where appropriate. The outcome of the test at 31 March 2022 resulted in £nil impairment (2021: £nil).

(ii) Included in the above net book value of loans to parents, subsidiaries and fellow group undertakings at 31 March 2022 are loans of £64m (2021: £64m) which are non-interest bearing and have no fixed repayment date.

11. Other non-current assets

As at 31 March	2022 £m	2021 £m
Deferred proceeds	**-**	1
	-	1

12. Deferred tax

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

As at 31 March	2022 £m	2021 £m
Deferred tax assets	**104**	-
	104	-

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.

2022	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2021	175	170	(376)	23	8	-
Credited/(charged) to income statement	46	202	(126)	4	(3)	**123**
Credited/(charged) to other comprehensive income	-	-	(8)	-	(11)	**(19)**
At 31 March 2022	**221**	**372**	**(510)**	**27**	**(6)**	**104**

2021	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2020	172	247	(528)	105	4	-
Credited/(charged) to income statement	3	(77)	(35)	(82)	4	(187)
Credited/(charged) to other comprehensive income	-	-	187	-	-	187
At 31 March 2021	175	170	(376)	23	8	-

During 2022 changes were made to increase the UK tax rate to 25% from 01 April 2023. This revised rate has been used to calculate the deferred tax assets and liabilities as at 31 March 2022.

Deferred tax assets of £104m (2021: £nil) have been recognised at 31 March 2022. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSUK Board approved budgets and forecasts. The recognition of the deferred tax asset follows the return to profitability of the Company and a balance sheet restructuring where debt was replaced by equity. When determining the level of taxable profits expected to be earned in future periods for this entity, board approved forecasts have been used to cover the next three years with forecasts for years subsequent to this being based on the same forecasts as used in the value in use models for PPE impairment testing but with the application of an increasing ‘uncertainty factor’ to reflect the fact that profits may not be as probable the further into the future the forecast extends. The Company has performed sensitivity analysis on the calculation for the deferred tax asset which shows that increasing the ‘uncertainty factor’ by 5% would have resulted in a lower deferred tax asset of £86m and decreasing the ‘uncertainty factor’ by 5% would have resulted in a higher deferred tax asset of £125m. Deferred tax assets have not been recognised in respect of total tax losses of £2,487m (2021: £2,939m) which can be carried forward indefinitely.

13. Inventories

As at 31 March	**2022** **£m**	2021 £m
Raw materials and consumables	**286**	215
Work in progress	**192**	126
Finished goods and goods for resale	**207**	151
	685	492

The value of inventories above is stated after impairment of £17m (2021: £22m) for obsolescence and write-downs to net realisable value.

14. Trade and other receivables

As at 31 March	**2022** **£m**	2021 £m
Trade receivables	**69**	66
Less: provision for impairment of receivables	**-**	(1)
	69	65
Amounts owed by immediate parent company	**-**	7
Amounts owed by parent undertakings	**7**	29
Amounts owed by group companies	**69**	43
Amounts owed by subsidiary undertakings	**17**	11
Derivative financial instruments (Note 23)	**69**	14
Other taxation	**-**	1
Prepayments	**7**	19
Deferred proceeds on sale of business	**8**	16
Deferred proceeds on sale property, plant and equipment	**5**	-
Other receivables	**25**	22
	276	227

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

15. Cash and short term deposits

As at 31 March	2022 £m	2021 £m
Cash at bank and in hand	**95**	51
Short term deposits	**5**	5
	100	56

16. Borrowings

As at 31 March	2022 £m	2021 £m
Current:		
Intergroup:		
Amounts owed to parent undertakings (i)	**82**	216
Amounts owed to group undertakings	**-**	43
	82	259
External:		
Bank loans	**150**	-
Obligations under finance leases	**30**	34
	180	34
	262	293

As at 31 March	2022 £m	2021 £m
Non-current:		
Inter-group:		
Amounts owed to parent undertakings	**-**	15
Amounts owed to fellow group companies	**-**	144
Amounts owed to subsidiary undertakings	**481**	194
	481	353
External:		
Obligations under finance leases	**159**	190
Bank loans	**50**	-
	209	190
	690	543
Total borrowings	**952**	836

(i) Included in amounts owed to parent undertakings in 2022 is a £50m loan due to Tata Steel Europe Limited. The loan carried an interest charge of 3.32%. Following the year end the loan was replaced with a new short term loan of the same value, which carries an interest charge of 4.03%.

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	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Not later than one year	**41**	42	**30**	34
Later than one year but not more than five years	**143**	149	**119**	126
More than five years	**45**	85	**40**	64
	229	276	**189**	224
Less: future finance charges on finance leases	**(40)**	(52)	**-**	-
Present value of lease obligations	**189**	224	**189**	224

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

17. Trade and other payables

As at 31 March	**2022** **£m**	2021 £m
Trade payables	**459**	362
Amounts owed to group companies	**195**	1,050
Amounts owed to parent undertakings	**26**	205
Amounts owed to joint ventures (Note 28)	**1**	1
Amounts owed to subsidiaries	**2**	2
Other taxation and social security	**21**	50
Interest payable to parent undertakings	**3**	1
Interest payable	**-**	3
Derivative financial instruments (Note 23)	**8**	37
Capital expenditure creditors	**37**	32
Other payables	**34**	21
	786	1,764

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

The reduction in amounts owed to group companies is due to the ending of the extended supplier credit terms arrangement that was provided by a fellow TSL group company. This arrangement ended on 30 June 2021 with settlement of the outstanding balance for the extended payment terms facilitated by an equity injection from the parent company of TSUK (for further details see note 22).

18. Current tax

As at 31 March	**Assets** **£m**	**Liabilities** **£m**
2022		
UK corporation tax	**-**	**3**
	-	**3**
2021		
UK corporation tax	1	8
	1	8

19. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Environmental provision (iii) £m	Other (iv) £m	Total 2022 £m	Total 2021 £m
As at 31 March	14	53	234	18	**319**	109
Charged to income statement:	14	3	6	7	**30**	236
Released to income statement:	(1)	(14)	-	(1)	**(16)**	(7)
Transfers	-	-	-	-	**-**	-
Utilised in period	(8)	(11)	(226)	(9)	**(254)**	(19)
At 31 March	19	31	14	15	**79**	319
Analysed as:						
Current liabilities	**8**	**-**	12	4	**24**	238
Non-current liabilities	11	31	2	11	**55**	81

(i) Rationalisation costs include redundancy provisions as follows:

	2022 £m	2021 £m
At beginning of period	**-**	5
Charged to income statement:	**14**	2
Released to income statement	**(1)**	(1)
Utilised during the period	**(7)**	(6)
At end of period	**6**	-

	2022 £m	2021 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	**3**	3
Environmental and other remediation costs at sites subject to restructuring/closure	**10**	9
Other	**-**	2
	13	14

Although the precise timing in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within the next five years. At 31 March 2022 the rationalisation provision included £3m (2021: £3m) in respect of onerous leases on a discounted basis and £3m (2021: £3m) on an undiscounted basis.

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

(iii) 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.

20. Other non-current liabilities

As at 31 March	2022 £m	2021 £m
Financial guarantees	**1**	13
	1	13

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 2022 £m**	Total 2021 £m
At 1 April and 31 March	2	**2**	2

22. Called up share capital

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

Authorised	**2022 £m**	2021 £m
249,999,999,990 (2021: 249,999,999,990) Ordinary shares of 1p each	**2,499**	2,499

Allotted, called up and fully paid	**2022 £m**	2021 £m
224,130,023,983 (2021: 224,130,023,983) Deferred shares of 1p each	**2,241**	2,241
37,151,807 (2021: 23,793,506) Ordinary shares of 1p each	**1**	1
3333 (2021: 3333) Ordinary A shares of 1p each	**-**	-

The Company issued 9,589,708 Ordinary shares on 30 June 2021 for a total consideration of £959m. These shares were issued in exchange for settlement of £875m of extended supplier credit that was provided by a fellow TSL Group company (see note 17) and net settlement of intercompany debt to parent undertakings of £84m (see note 16). The Company also issued 3,768,593 Ordinary shares on 31 March 2022 for a total consideration of £377m. These shares were issued in exchange for settlement of £377m of debt, including interest owed to parent undertakings (see note 16).

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.

Ordinary A 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	**2022 £m**	2021 £m
Derivative financial assets	**69**	14
Derivative financial liabilities	**(8)**	(37)
Total derivatives	**61**	(23)

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:

	2022		2021	
As at 31 March	**Assets £m**	**Liabilities £m**	Assets £m	Liabilities £m
Current:				
Foreign currency contracts	**13**	**(8)**	11	(37)
Commodity contracts	**56**	**-**	3	-
	69	**(8)**	14	(37)

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	**2022** £m	2021 £m
Commodity contracts	**53**	(3)
Currency contracts	**4**	-
Tax	**(11)**	-
Cash flow hedge reserve	**46**	(3)

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

	Commodity contracts £m	**Currency contracts £m**	**Tax £m**	**2022 £m**
Cash flow hedge reserve net of taxation at beginning of period	**(3)**	**-**	**-**	**(3)**
Fair value recognised	**56**	**4**	**(11)**	**49**
Cash flow hedge reserve net of taxation at end of period	**53**	**4**	**(11)**	**46**

	Commodity contracts £m	Currency contracts £m	Tax £m	2021 £m
Cash flow hedge reserve net of taxation at beginning of period	(4)	-	-	(4)
Fair value recognised	1	-	-	1
Cash flow hedge reserve net of taxation at end of period	(3)	-	-	(3)

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

24. Future capital expenditure

As at 31 March	**2022** £m	2021 £m
Contracted but not provided for	**13**	22
Authorised but contracts not yet placed	**125**	114

At the end of the period there was £2m (2021: £3m) of future expenditure planned in relation to intangible assets.

25. Exposure for cash outflows relating to leases

	2022 £m	2021 £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

26. Contingencies

As at 31 March	**2022** £m	2021 £m
Guarantees given under trade agreements	**46**	5

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.

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 2022 amounted to £44m (2021: £43m).

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

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

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

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

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

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

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

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

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

Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included in the balance sheet and income statement can vary significantly with only small changes in these assumptions.

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

2022	**BSPS %**	**Other %**
Salary growth[1]	n/a	n/a
Pension increases[2]	3.07	3.59
Discount rate	2.72	2.72
Inflation	3.07	3.59

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

2021	BSPS %	Other %
Salary growth[3]	n/a	n/a
Pension increases[4]	2.70	1.80
Discount rate	2.05	2.05
Inflation	3.20	3.20

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

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

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

Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below 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 1.3%
Inflation	Increase/decrease by 10bps	Increase/decrease by 0.6%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.5%

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

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

Income statement costs

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

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

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

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

Income statement pension costs arose as follows:

	2022 **£m**	2021 £m
Current service cost	**10**	17
Net interest income	**(41)**	(71)
Defined benefit schemes	**(31)**	(54)
Defined contribution schemes	**44**	43
Total charge/(credit) for the period	**13**	(11)

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

	2022 **£m**	2021 £m
Pension costs (Note 4)	**13**	(11)
Pension restructuring costs (Note 4)	**3**	-
Total charge/(credit) for the period	**16**	(11)

The actual return on plan assets for the above schemes was a gain of £11m (2021: £215m).

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	**2022** **%**	2021 %
Quoted:		
Equities - UK Entities	**0.2**	0.4
Equities - Non-UK Entities	**4.7**	3.6
Bonds - Fixed Rate	**65.6**	79.0
Bonds - Index Linked	**25.4**	15.9
Derivatives	**0.2**	0.3
	96.1	99.2
Unquoted:		
Real estate	**12.6**	11.7
Derivatives	**(16.6)**	(13.5)
Cash and cash equivalents	**3.0**	1.4
Insurance	**4.0**	-
Other	**0.9**	1.2
	3.9	0.8
	100.0	100.0

Balance sheet measurement

In determining the amounts to be recognised in the balance sheet the following approach has been adopted:

• Pension scheme assets are measured at fair value (for example for quoted securities this is the bid-market value on the relevant public exchange).

• Pension liabilities include future benefits that will be paid to pensioners and deferred pensioners, and accrued benefits which will be paid in the future for members in service taking into account projected earnings. As noted above, the pension liabilities are discounted with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the pension liability.

Amounts recognised in the balance sheet arose as follows:

2022	**BSPS £m**	**Other £m**	**Total £m**
Fair value of plan assets	9,874	-	**9,874**
Present value of obligation	(7,825)	(8)	**(7,833)**
Defined benefit asset/(liability)	2,049	(8)	**2,041**
Disclosed as:			
Defined benefit asset	2,049	-	**2,049**
Defined benefit liability - non-current	-	(8)	**(8)**
Arising from:			
Funded schemes	2,049	-	**2,049**
Unfunded schemes	-	(8)	**(8)**

2021	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,341	-	10,341
Present value of obligation	(8,353)	(8)	(8,361)
Defined benefit asset/(liability)	1,988	(8)	1,980
Disclosed as:			
Defined benefit asset	1,988	-	1,988
Defined benefit liability - non-current	-	(8)	(8)
Arising from:			
Funded schemes	1,988	-	1,988
Unfunded schemes	-	(8)	(8)

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

2022	**BSPS £m**	**Other £m**	**Total £m**
Plan assets:			
At 1 April 2021	10,341	-	**10,341**
Interest income on plan assets	207	-	**207**
Return on plan assets (less) than the discount rate	(196)	-	**(196)**
Benefits paid	(478)	-	**(478)**
At 31 March 2022	9,874	-	**9,874**
Defined benefit obligation:			
At 1 April 2021	8,353	8	**8,361**
Current service cost	10	-	**10**
Interest cost on the defined benefit obligation	166	-	**166**
Actuarial gain due to financial assumption changes	(476)	-	**(476)**
Actuarial loss due to demographic assumption changes	282	-	**282**
Actuarial gain due to actuarial experiences	(32)	-	**(32)**
Benefits paid	(478)	-	**(478)**
At 31 March 2022	7,825	8	**7,833**

2021	BSPS £m	Other £m	Total £m
Plan assets:			
At 1 April 2020	10,628	-	10,628
Interest income on plan assets	254	-	254
Return on plan assets (less) than the discount rate	(39)	-	(39)
Benefits paid	(502)	-	(502)
At 31 March 2021	10,341	-	10,341
Defined benefit obligation:			
At 1 April 2020	7,712	8	7,720
Current service cost	17	-	17
Interest cost on the defined benefit obligation	183	-	183
Actuarial loss due to financial assumption changes	1,017	-	1,017
Actuarial gain due to demographic assumption changes	(8)	-	(8)
Actuarial gain due to actuarial experiences	(66)	-	(66)
Benefits paid	(502)	-	(502)
At 31 March 2021	8,353	8	8,361

Actuarial gains recorded in the Statement of Comprehensive Income for the period were £30m (2021: £982m 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.

	2022 **£m**	2021 £m
Amounts reported within the income statement:		
Purchases from joint ventures	**6**	4
Amounts reported within the balance sheet:		
Amounts owed to joint ventures (Note 17)	**1**	1

29. Events after the balance sheet date

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

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, 18 Grosvenor Place, London SW1X 7HS.

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

31. Disposal of group undertakings

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

	2022 £m	2021 £m
Impairment of deferred consideration (i)	**(8)**	(15)
Loss on disposal of group undertaking	**(8)**	(15)

(i) The company has recognised an impairment of £8m (2021: £15m) in relation to deferred consideration on previous business disposals for which recoverability is now deemed uncertain.

32. Details of related undertakings

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

Subsidiary undertakings

Steel producing, further processing or related activities:

Germany	
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
India	
Tata Steel International (India) Limited (i) (iii)	3rd Floor, One Forbes, Dr. V.B. Gandhi Marg, Fort, Mumbai, Mumbai City MH 400 001 IN
Ireland (Republic of)	
Gamble Simms Metals Limited (ii) (iii)	70 Sir John Rogerson's Quay, Dublin 2, Ireland
Lister Tubes Limited (xiv)	1 Stokes Place, St Stephens Green, Dublin 2
Stewarts & Lloyds Of Ireland Limited (xiv)	1 Stokes Place, St Stephens Green, Dublin 2
Walkersteelstock Ireland Limited (xiv)	1 Stokes Place, St Stephens Green, Dublin 2
Mexico	
Tata Steel International Mexico SA de CV (ii) (iii)	Era 2, Real de Anahuac, 66600 Ciudad Apodaca, Nuevo Leon, Mexico
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 (ii) (iii)	169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania
South Africa	
TS South Africa Sales Office Proprietary Limited (ii) (iii)	Indobali Office Park, 229 Hull Road, Rynfield, Benoni, Gauteng, 1501
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 (ii) (iii)	18 Grosvenor Place London SW1X 7HS
00224239 Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
02727547 Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
137050 Limited (ii) (xii)	30 Millbank London SW1P 4WY
Birmingham Steel Processors Limited (ii) (iii)	9 Albert Embankment London SE1 7SN
Blastmega Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
British Steel Corporation Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
British Steel Directors (Nominees) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
British Steel Service Centres Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
British Steel Trading Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Catnic Limited (i) (iii) (viii) (ix)	18 Grosvenor Place London SW1X 7HS

Cogent Power Limited (i) (iii) (x)	18 Grosvenor Place London SW1X 7HS
Corby (Northants) & District Water Co. (i) (iii)	Tata Steel UK Limited PO Box 101 Weldon Road Corby Northamptonshire NN17 5UA
Corus CNBV Investments (50%) (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels (UK) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Engineering Steels Holdings Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
Corus Engineering Steels Limited (ii) (iii) (xi)	18 Grosvenor Place London SW1X 7HS
Corus Holdings Limited (i) (iii)	58 Morrison Street Edinburgh EH3 8BP
Corus International Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Investments Limited (ii) (iii)	58 Morrison Street Edinburgh EH3 8BP
Corus Liaison Services (India) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Management Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Property(ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus UK Healthcare Trustee Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
Darlington & Simpson Rolling Mills Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
DSRM Group Limited. (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
English Steel Corporation (Overseas) Limited (ii) (iii) (xiv)	9 Albert Embankment London SE1 7SP
Europressings Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
Grant Lyon Eagre Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
H E Samson Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Hadfields Holdings Limited (62.5%) (i) (iii)	18 Grosvenor Place London SW1X 7HS
Hallamshire Steel Co. Limited(The) (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
Hammermega Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
John Tinsley Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
London Works Steel Company Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Orb Electrical Steels Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Plated Strip International Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
Round Oak Properties Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
Runmega Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
Samuel Fox and Company Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
Stewarts And Lloyds (Overseas) Limited (xiii)	100 West George Street Glasgow G2 1PJ
Swinden Housing Association (i) (iii)	Room 42 Talbot Building College of Engineering Singleton Campus Swansea University Swansea SA2 8PP
Tata Steel UK Consulting Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
The Newport And South Wales Tube Company Limited (i) (iii) (x)	18 Grosvenor Place London SW1X 7HS
The Templeborough Rolling Mills Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
Toronto Industrial Fabrications Limited (xiii) (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
U.E.S. Bright Bar Limited (xiii)	156 Great Charles Street Queensway Birmingham B3 3HN
UK Steel Enterprise Limited (i) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
Wellington Tube Works Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN
Westwood Steel Services Limited (xiv)	156 Great Charles Street Queensway Birmingham B3 3HN

USA

Oremco Inc (30%) (ii) (iii)	60 E42 Street, New York, N.Y., 10165, United States

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)	Liquidation complete after year end

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)	C/O Brodies Llp Capital Square 58 Morrison Street Edinburgh EH3 8BP
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
(JV)	Joint Venture
(JO)	Joint Operation

Tata Steel UK Limited
18 Grosvenor Place
London
SW1X 7HS
United Kingdom
T +44 (0)20 7717 4444
F +44 (0)20 7717 4455

Registered No: 02280000