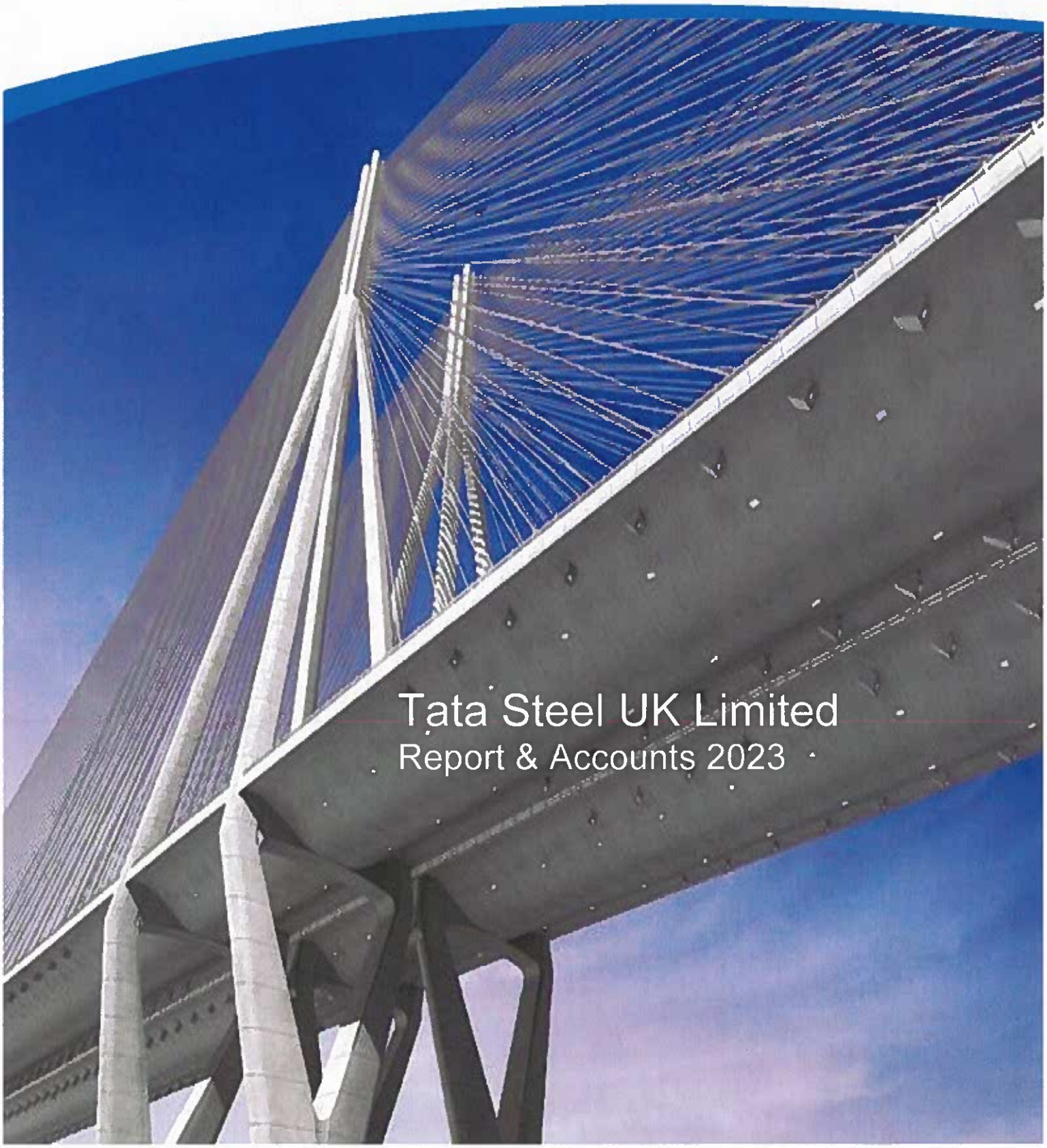
TATA STEEL

TATA



Tata Steel UK Limited

Report & Accounts 2023

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A. Directors and advisors

Directors

H Adam
T V Narendran
K Chatterjee
M J Davies (resigned 31 March 2023)
K De (appointed 31 March 2023)
R Nair
A Jhanji

Secretary and registered office

A Page

18 Grosvenor Place
London
SW1X 7HS

Company Number

02280000

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

B1. 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 2023.

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 2022/23, this plant produced 3.0mt of liquid steel (2021/22: 3.5mt) with the lower level of production during the year due to weaker market demand in the second half of 2022/23 along with certain operational issues contributing to unplanned stoppages.

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. This includes a branch office of the Company in France. 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 2022/23 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

Strategic activities

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

During the year two further insurance transactions (c. £4.4bn) were completed between the Company's legacy defined benefit pension scheme, the British Steel Pension Scheme ('BSPS'), and an external insurance company taking the proportion of liabilities insured to c. 60%. A final insurance transaction was completed in May 2023 following which the BSPS is fully de-risked. For further details please see page 58.

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.

B2. 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 UK. 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 "license to operate" is a key focus of the Company. The "license to operate" of the Company depends on the balance which it achieves 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 business.	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 legislators to secure a level playing field, for example in areas such as the REACH (Registration, Evaluation, Authorisation & restriction of Chemicals) scheme. 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 TSUK's steel making activities.
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.

B2. Principal risks and uncertainties

Risks	Mitigating factors
Climate Change	
Climate-related risks are central to the TSUK risk register. 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 a 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 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. If government support were not to be available then the Company would be forced to look at alternative strategies for the business.

B2. 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 alongside the United Kingdom 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.	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.
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.
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 its 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. The Company's balance sheet position improved following repayments of debt and conversion of parent company debt to equity in 2020/21. TSUK continues to engage with the UK Government around support for its decarbonisation plans.

B2. 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.

B3. 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 decelerated globally in the second half of the calendar year 2022. Economic activity was impacted by the rise of central bank rates to fight inflation, the war in Ukraine and the spread of COVID in China. Global GDP growth increased by 3.1% (2021: 6.2%). Inflation was at 7.8%, significantly above levels seen in previous years (2.9% in 2016-2020). In China GDP growth grew by 3.0% (2021: 8.5%). The deceleration in China was mainly due to the lockdowns as a result of COVID outbreaks which impacted consumer spending and industrial output, and a slowdown of real estate. Lower economic growth in China lead to reduced global trade growth and lower global commodity prices. The EU economy decelerated to 3.6% (2021: 5.3%) and the UK economy to 4.0% (2021: 7.6%). The EU and UK economy remained resilient due to the strong contribution from the services sector and overall positive developments over the first half of the calendar year. In the second half of the calendar year consumer confidence and business sentiment worsened as central banks started to increase interest rates.

Steel demand and production

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

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

Raw materials and steel prices

The principal raw materials used in TSUK's carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price for iron ore fines (China CFR 62%) decreased in calendar year 2022 to US$121/t (-$39/t). The price declined because there was lower demand for iron ore due to the reduction of output by blast furnaces globally. The hard coking coal spot price (Australia FOB) increased to US$365/t (+$141/t). The price was at an all-time high of US$594/t in March 2022 due to the loss of supply from Russia as a result of the war in the Ukraine. The German benchmark scrap price (Sorte 2/8) increased to €414/t (+€16/t) compared to the previous calendar year. The price of CO2 decreased slightly in calendar year 2022 to £73/t (-£2/t), although the price was volatile throughout the year reaching an all-time high of £98/t in August 2022.

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

Prospects for 2023

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

Civil society advocacy

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 the UK 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 goal of ensuring zero harm to our employees, contractors and the communities in which we operate.

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

The combined lost time injury frequency (LTIF) rate in 2022/23 for employees and contractors worsened slightly to 2.77 compared to 2.47 in the previous year. A similar picture was observed with the recordables rate, which includes lost time injuries as well as minor injuries, which rose to 4.23 in 2022/23 compared to 3.82 in 2021/22. However, the injury frequency rate for all injuries overall reduced from 12.4 to 10.6 showing a reduction in the number of injuries.

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

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

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

Employee numbers

At 31 March 2023, the number of employees in the Company was 7,939 (2022: 7,890). 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. The Company strives to ensure that well-developed policies and procedures are in place for consulting and negotiating with trade unions so that views of employees can be considered in making decisions that are likely to affect their interests.

The Company is committed to provide an environment that recognises and values the differences in employee backgrounds and skills. The aim is to provide equal opportunity for all employees to maximise the benefits available from a diverse workforce. Following on from the adaptations made during the pandemic, the Company has continued to embed flexibility and adaptive working as a part of supporting its diversity and inclusivity action plan.

During the year TSUK increased its focus on Diversity & Inclusion, with a review of the Diversity and Inclusion and Dignity at Work policies, ready for roll out in 2023/24 with supporting e-learning and face to face sessions. The business also established a Steering Group, which is developing the Equality, Diversity, & Inclusion ('ED&I') strategy, and representatives are participating on external forums.

The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed by the Company. Opportunities for promotion, access to benefits and facilities of employment will not be unreasonably limited and all reasonable adjustments will be made. All reasonable measures will be taken to ensure that disabled staff are given the opportunity to participate fully in the workplace, in training and career development opportunities.

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

UK Steel Enterprise Limited, a subsidiary of Tata Steel UK, helps the economic regeneration of communities affected by changes in the UK steel industry and it continues to roll out support measures to businesses across all steel manufacturing regions in the UK to help support and create new job opportunities for steel communities.

UK Gender pay

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

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

Pension arrangements

The principal defined benefit pension scheme in the Company at 31 March 2023 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 25.

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 TSUK Board has approved a statement setting out the measures taken by the Company during the financial year ended 31 March 2022. The statement for the financial year ending on 31 March 2023 will be issued by TSUK on behalf of itself and its relevant subsidiary companies and published on the TSE website.

Community Engagement

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

The Company encourages employees to make an active contribution to their local community. Examples include donations to food banks and donations to charities supporting victims of domestic abuse and families facing poverty and hardship. The Company and its employees have also continued to raise thousands of pounds every Christmas for local communities to ensure families have something to celebrate.

TSUK organised two Tata Kids of Steel mini-triathlons in the UK in 2022, involving more than 2,000 primary school children who tried swimming, running and cycling, promoting healthy and active lifestyles. The Company also continues to sponsor two activity-based programmes for primary school children in South Wales - the Aberavon Wizards' League, a competition to develop rugby and netball skills in Neath Port Talbot, and the Newport Dragons community outreach programme which offers sports, holiday skills camps and sessions on lifestyle, diet and teamwork for children in over 60 primary schools in Gwent.

Sustainability & Environment

Sustainable in Every Sense

TSUK endeavours to be sustainable in every sense. In order to strengthen its sustainability programme and to secure 3rd 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 actively pursuing certification against the ResponsibleSteel™ standard for its integrated steelmaking sites at Port Talbot.

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

Recognition

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

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

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

Climate Action

Commitment

Steel is a fundamental material for a low-carbon economy. Steel is needed for renewable energy, low-CO_2 transportation, infrastructure schemes for large-scale hydrogen production and distribution, and carbon capture, usage & storage (CCUS). It will be needed to build and power the electric vehicles of tomorrow, as well as creating sustainable buildings and delivering major infrastructure projects which will help nations across the globe to achieve their climate goals.

Steel's role in the net zero world of the future is clear, but it is also recognised that the steelmaking process itself creates substantial CO_2 emissions. Tata Steel feels a strong sense of

responsibility, therefore, to reduce its own emissions. 2022/23 was a significant milestone in Tata Steel's decarbonisation journey as it adopted during the year a target to be net zero across the entire Tata Steel Group by 2045. This target is also in line with the Tata Group target. TSUK has set itself an interim milestone on this journey to net zero, with targets to reduce emissions by 30% by 2030, compared to 2018.

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

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

Public Policy Environment

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

The 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. The Company's emission reduction commitments, participation in global initiatives and other actions to date are evidence of this. Yet, TSUK cannot achieve its decarbonisation aspirations alone. Tackling climate change is an effort that concerns the whole of society and accelerating the pace of decarbonisation of the steel sector will require a set of policy interventions that rapidly 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 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 that steelmakers can access low-cost finance to commercialise high-risk, innovative and first-of-a-kind technologies.

In the UK, the Government launched a comprehensive consultation in April 2023 setting out its commitment to a robust suite of measures designed to mitigate against carbon leakage, including a Carbon Border Adjustment Mechanism, mandatory product standards and measures designed to grow market demand for low-CO_2 products.

TSUK is supportive in principle of the expression of intent by the Government to ensure carbon leakage mitigations remain a core feature of UK ETS. Care continues to be needed to ensure these mechanisms have the intended effect of incentivising decarbonisation amongst steelmakers whilst ensuring their adoption of a leadership position on climate action does not come at the expense of competitiveness.

Decarbonisation Activities across Tata Steel UK

Across Europe, there is a growing recognition that steelmakers need government support to decarbonise. Steelmakers and governments in a number of countries are working together to develop their decarbonisation plans, with such discussions covering selection of suitable technology, access to abundant, green energy supplies and infrastructure at a competitive price, possible fiscal support from the national Governments, and the need to create a competitive regulatory environment.

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

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

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. 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.

Carbon Lite

During 2022/23, the Company launched a commercial proposition that allow customers to take a stake in its decarbonisation journey, whilst demonstrating their own contribution to societal CO_2 emission reductions. Under the brand name Optemis Carbon Lite, the proposition is based on an approach described as carbon 'insetting,' in which actual emissions reductions are third-party verified, banked and then offered to customers as a way of off-setting their own Scope 3 emissions of CO_2. The CO_2 savings are real and are subject to verification by leading assurance organisation DNV. Revenues from the sale of certificates are used to fund projects generating further CO_2 savings to be verified by DNV, speeding up the Company's decarbonisation journey.

Transparency & Disclosure

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

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

Life cycle assessment

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

In the automotive sector, light-weighting remains a key lever for reducing the CO_2 emissions of vehicles in their use-phase. LCA can be used to demonstrate how embodied CO_2 derived

from the manufacture of advanced and ultra-high strength steel can be offset by downgauging parts to make them lighter. Savings in mass means CO_2 savings: less material is required to manufacture the vehicle and a lighter vehicle produces fewer emissions in use.

To extend its capability in this area, Tata Steel has developed the PACI (Product Assessment Carbon Indicator) tool. This streamlines the process of undertaking life cycle studies of products and enables an understanding of greenhouse gas (GHG) emission hot spots and trade-offs in the steel product value chain, which can be used to inform new product developments and optimise existing manufacturing routes. PACI has been used to support collaborative projects with customers, for example, to examine the greenhouse gas emission impact of materials selection and part design, or the trade-off between motor efficiency versus embodied GHG emissions associated with different grades of electrical steels. The tool has recently been recognised by worldsteel, winning a Steelie award for Excellence in Life Cycle Assessment.

In construction, the 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 our Colorcoat HPS200 Ultra® or Colorcoat Prisma® prefinished steel. Work in this area has been recognised with four worldsteel awards for Excellence in LCA.

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

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

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

Energy and carbon emissions reporting

SECR

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

Energy Efficiency of Tata Steel UK's Activities

Most of the carbon emissions associated with TSUK's activities occur at Port Talbot integrated steelworks, where iron ore and coal are brought together in the blast furnace process. This is already a very efficient steelworks and, although the opportunities for standard energy efficiency measures are becoming progressively smaller, the 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 involved using a so-called energy efficiency 'wave' approach which systematically targeted energy efficiency opportunities at the Company's main operations around the UK. The Company has also developed MONICA, a state-of-the-art monitoring and benchmarking tool for energy and CO_2 emissions from its processes.

TSUK is part of the UK's Energy Saving Opportunities Scheme (ESOS) and has fulfilled its obligations under this regime by delivering a rolling programme of audit and assessment.

A number of improvement and optimisation projects have been implemented recently which will save a significant amount of CO_2 emissions in upstream iron and steelmaking through various improvement and optimisation projects. These include improvements to the operation and efficiency

of the blast furnace stoves and optimised blast furnace performance through the introduction of "Topscan" technology, enhanced gas utilisation at the basic oxygen steelmaking plant and furnace atmosphere measurement & control at the Port Talbot hot strip mill.

Improvement activities are also active in TSUK's down-stream facilities and, while reducing CO_2 emissions is the primary focus, even where renewable energy is used, energy optimisation remains a priority. An example of this is the implementation of LED lighting across the Shotton site where all electricity is from renewable sources.

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

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 evaluated for using more scrap at Port Talbot including a collaborative project with EMR (European Metal recycling), Darlow Lloyd and Swansea University, called RECTIFI. Supported by grant funding from UK Research and Innovation as part of the Transforming Foundation Industries Challenge, this will involve investment of over £10 million to create an innovative new supply chain for high-grade recycled steel and sustainable alternative raw materials for cement production.

This collaboration aims to build a brand-new circular supply chain, developing high-quality grades of recycled steel and also developing sustainable mineral-rich alternatives for cement production utilising materials and mineral fractions that are separated during the steel recycling process. In addition to enhancing circularity, RECTIFI has the potential to avoid almost 5 million tonnes of CO_2 equivalent from entering the earth's atmosphere each year.

Management Systems

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

GHG emissions and energy use 2022/23

	Scope	Units	UK[1]
Gaseous fuel for combustion[3]	1	kWh	8,499,295,663
Fuel for transport and business travel[2]	1	kWh	22,097,922
Purchased electricity[3]	2	kWh	694,455,490
Fuel for transport and business travel[2]	3	kWh	19,648,221
Energy consumption based on above		**kWh**	**9,235,497,296**
Emissions from gaseous fuel[3]	1	tCO_2e	5,025,848
Emissions from fuel for transport and business travel[2]	1	tCO_2e	5,829
Emissions from purchased electricity[3]	2	tCO_2e	125,435
Emissions from fuel for transport and business travel[2]	3	tCO_2e	5,190
Total gross emissions		**tCO_2e**	**5,162,302**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.708**

B3. Business Review

GHG emissions and energy use 2021/22			
	Scope	**Units**	**UK[1]**
Gaseous fuel for combustion[3]	1	kWh	9,358,335,065
Fuel for transport and business travel[2]	1	kWh	17,463,147
Purchased electricity[3]	2	kWh	827,321,158
Fuel for transport and business travel[2]	3	kWh	19,609,987
Energy consumption based on above		**kWh**	**10,222,729,357**
Emissions from gaseous fuel[3]	1	tCO_2e	5,604,695
Emissions from fuel for transport and business travel[2]	1	tCO_2e	4,655
Emissions from purchased electricity[3]	2	tCO_2e	173,870
Emissions from fuel for transport and business travel[2]	3	tCO_2e	5,334
Total gross emissions		**tCO_2e**	**5,788,554**
Total gross emission per tonne of liquid steel		**tCO_2e/tls**	**1.655**

Notes

1. The data for UK assets is based on the scope of the organisation as covered in the Financial Accounts 22/23; the derogation to exclude legal subsidiaries that did not meet the definition of "large" was applied. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the UK Emission Trading System (UK ETS). Where available, site specific conversion factors were used and where not, national government factors were used. The financial control approach (as opposed to equity split) was used to define the organisational boundaries; deductions were made for onward third party supplies. Greenhouse gas emissions are reported as CO2e except for the combustion of works arising gases (WAGs), these only include CO2 emissions.
2. Scope 1 was defined to include on-site vehicular re-fuelling and mileage/ fuel claims relating to fuel used in company-owned or leased (capitalised on balance sheet as per IFRS 16) vehicles, both on and off-site. Scope 3 was defined to include fuel consumption of time-chartered vessels plus mileage claims and fuel claims relating to fuel used in employee-owned vehicles off-site. Where clarity on the lease status was unavailable, the fuel was divided evenly between scopes 1 and 3. Conversion to energy and CO2 was based on factors provided by UK government. If unknown, vehicle type and fuel consumption per km, were based on national averages.
3. Only imported electricity was reported, that is, electricity generated on-site was not included; the associated emissions were included in the gaseous fuel emissions. The grid emission factor taken for the UK was 0.193 kg CO2e/kWh except for Shotton site where 100% of the electricity consumed was certified as renewable, therefore an EF of 0kg CO2e/kWh has been used.
4. Part of the data was subject to 3rd party verification conforming to UK ETS rules and regulations. This covered the period April-December 2022 only and included 82.2% of the UK natural gas consumption and 100% of the consumption of WAGs at Port Talbot.

Research & development

Research & Technology programme

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

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

Product market sector developments

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

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

B4. Financial Review

£m	2022/23	2021/22
Liquid steel production (mt)	3.0	3.5
Steel deliveries (mt)	2.9	3.3
Revenue	**3,127**	**3,124**
EBITDA	**(162)**	**215**
Depreciation and amortisation (net of grants)	(60)	(54)
Operating (loss)/profit before restructuring, impairment and disposals	**(222)**	**161**
Restructuring, impairment and disposals	-	(22)
Operating (loss)/profit	**(222)**	**139**
Net finance costs	(57)	(59)
Share of post-tax results of joint ventures and associates	-	2
(Loss)/profit before taxation	**(279)**	**82**
Taxation (charge)/credit	(395)	126
(Loss)/profit for the financial year	**(674)**	**208**

Profit and loss

The Company's revenue of £3,127m in 2022/23 was marginally higher than the previous year due to a 13% increase in average revenue per tonne and a 12% decrease in deliveries. The increase in average revenue per tonne was mainly due to higher steel selling prices in the first half of 2022/23 although these reduced in the second half of the year following lower demand. Deliveries were lower reflecting subdued market demand in the second half of 2022/23 alongside certain operational issues at the Port Talbot site which resulted in lower liquid steel production.

The operating result before restructuring, impairment and disposals in 2022/23 was a loss of £222m compared to a profit of £161m in 2021/22 due to reduced margins on the back of higher raw material and energy costs. The first half of 2022/23 was profitable with the operating loss generated in the second half of 2022/23 as energy costs increased at the same time as a fall in steel demand and prices following the general deterioration in macro-economic conditions.

Restructuring, impairment and disposals was £nil in 2022/23, compared to a charge of £22m in 2021/22, due to the prior year containing an impairment charge relating to previously divested businesses as well as £14m of redundancy costs.

Taxation was a net charge of £395m in 2022/23 compared to a net credit of £126m in 2021/22. The tax charge in 2022/23 includes a deferred tax charge of £392m 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 prior year credit largely consists of a £102m deferred tax credit in relation to increased deferred tax assets recognised following an updated assessment of their recoverability.

The loss after tax in 2022/23 was £674m compared to a profit of £208m in 2021/22 due to a lower operating result reflecting difficult trading conditions in the second half of 2022/23, and an increased tax charge mainly in relation to actuarial movements on the BSPS.

Financing

TSUK has previously entered into a revolving credit facility with a syndicate of lenders with a limit of £200m. As of 31 March 2023, the facility is fully drawn.

In November 2021, TSUK entered into a £50m three year committed loan facility with an external bank of which £50m was drawn as at 31 March 2023.

TSUK's parent company Tata Steel Europe Limited (TSE), has access to external loan facilities which are lent on to TSUK under a back to back facility arrangement that TSUK has with TSE. As at 31 March 2023 £150m was drawn under this internal facility with £200m being undrawn.

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 £450m on a non-recourse basis.

B4. Financial Review

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 29 subsidiaries (all in UK and Ireland). As at 31 March 2023 there were 7 non-trading subsidiaries in voluntary liquidation and it is anticipated these will enter into dissolution within 2023/24.

Full details of TSUK's subsidiary companies can be found in Note 30 of the accounts.

Capital expenditure

Capital expenditure on property, plant and equipment in 2022/23 at £97m (2021/22: £100m) included spend on a number of major capital projects in the UK.

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

Balance sheet

TSUK's net assets at 31 March 2023 were £397m (31 March 2022: £2,256m).

The decrease of £1,859m was due to the loss for the financial year of £674m (2021/22: profit of £208m) caused mainly by the difficult trading conditions in the second half of 2022/23 and an increased tax charge mainly in relation to actuarial movements on the BSPS, along with other comprehensive loss of £1,185m (2020/21: gain of £71m) caused mainly by actuarial losses arising on the BSPS following the completion of two insurance buy-ins during the year.

Net debt at 31 March 2023 amounted to £1,063m (31 March 2022: £852m). Of the net debt, approximately 16% was owed to TSUK parent companies and 47% was owed to TSUK subsidiaries (31 March 2022 10% and 56% respectively).

Cash and short term deposits at 31 March 2023 amounted to £52m (31 March 2022: £100m). Further details on borrowings can be found in Note 15.

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 22.

B5. 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:

The likely consequences of any decision in the long term;

The interests of the Company's employees;

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

The impact of the Company's operations on the community and the environment;

The desirability of the Company maintaining a reputation for high standards of business conduct; and

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. The TSUK Board is responsible for governance and oversight of the Company's business, including setting strategic priorities and monitoring the performance of the TSUK Group.

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 was considered appropriate. During the year, the composition of the Board was expanded to include three members of the UK leadership team responsible for operational, commercial and financial matters. Since all Directors are also senior managers employed within the Tata Steel Group, regular interactions have taken place between Board members outside of formal Board meetings.

New Directors are made aware of their duties, including under 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 business 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.

The likely consequences 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 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 and restructuring. Certain decisions also require endorsement and reporting to the board of the Company's ultimate shareholder. As set out in the Corporate Governance statement from pages 25 to 26 of the 2022/23 Annual Report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

During 2022/23, the TSUK leadership team under the supervision of the Board has continued to focus 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 sustainability reporting, decarbonisation, equity restructuring, capital investments, strategic procurement, pensions, financing arrangements, contract renewals, and health and safety matters. Consideration of all of these matters is required to support the Company in the longer term.

The interests of the Company's employees

Disclosures in relation to TSUK's employees are set out on page 28 of the 2022/23 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 important of attracting, retaining and motivating employees to enable TSUK to deliver its strategic objectives.

The Company prioritises the health, safety and wellbeing of its workforce and those of its 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.

B5. Section 172, Companies Act 2006

Members of the Board conducted a number of leadership safety tours on TSUK's sites and the Board has considered the control of major accident hazards within the business.

The Board also recognises that TSUK's pensioner community remain important stakeholders and has considered pensions matters during the year as part of the Company's journey toward de-risking the British Steel Pension Scheme.

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

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

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 were represented in the Board through the responsible senior managers for these parts of the business. The Company also has regard to its relations with the UK Government, the devolved administrations (especially in Wales) and local politicians and Directors have participated in discussions with of all these during the year. Further information can be found in the Corporate Governance statement under Principle 6 on page 28 of the 2022/23 Annual Report.

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

The Board is conscious 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 2045. The Board still considers 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 requires positive industrial policy interventions from UK Government 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 wherever possible and the Board takes into account the impact of its operations on the communities in which it operates. 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 progress and commitment in relation to sustainability 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 28 of the 2022/23 Annual Report.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is committed to maintain 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 2022/23 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 compliance training and assessments.

B5. Section 172, Companies Act 2006

The need to act fairly as 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 its parent boards.

B6. 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:

K De
Director
29 August 2023

C. Director's Report

The Board

The directors of the Company are listed on page 2.

Directors' indemnity

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

Dividends

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

Political donations

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

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

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

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

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

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed as auditors to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an AGM. Price Waterhouse & Co Chartered Accountants LLP in India is the 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 TSL group, the Company has benefitted from significant financial support from its parent companies in order to settle historic financial indebtedness and to invest in working capital. This support included equity proceeds of £1,366m in 2021/22 and support in arranging bank finance facilities which the Company either has direct access to or indirect access via other TSL group companies.

The directors have considered a number of possible scenarios for its financial position including the impact of a 10% decrease to steel margins than has been assumed in the Company's Annual Plan (the "base case") and the mitigating actions the Company could take to limit any adverse consequences to liquidity. The steel industry is cyclical and TSUK starts 2023/24 at the bottom of the industry cycle with challenging market conditions which are forecast to result in lower profitability at the beginning of the year. The Company ended the 2022/23 financial year with a positive cash balance and unutilised financing facilities of £220m which, along with specific actions being taken to improve business performance, is expected to ensure that the Company can manage this period of downturn and is well placed to respond through efforts towards optimising its production and delivery volumes in 2023/24 and with expected improvements in market conditions in the latter half of the year.

However, the financing facilities which the Company has access to are not all committed facilities and the Company's Revolving Credit Facility ('RCF') is due to expire in June 2024. As such, under the base case scenario, the Company will, as a minimum, require additional forms of financial support to refinance or repay these facilities. In the event of a severe but plausible downside scenario the Company will also need further financial support in order to address any adverse impact on liquidity from March 2024 onwards. As the Company is an integral part of the TSL Group, a non-binding letter of support has been provided by T S Global Holdings Pte Ltd ('TSGH'), a subsidiary of TSL, which confirms that

TSGH will support the refinancing, or the repayment, of the RCF and a separate uncommitted bank facility. Furthermore, a non-binding letter of support has been provided by T S Global Procurement ('Proco'), a subsidiary of TSL, which provides the Company with access to £300m of working capital support if required.

The Company 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. Decarbonisation is central to the long term strategy of the Company which has set out its ambition to be carbon neutral by 2045. However, the technological shift required to enable the transition to carbon neutral steel will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. Carbon Border Adjustment Mechanism), and other government legislation. Similar to all steel companies operating in Europe, the Company is expected to require significant financial assistance from the national government to support the additional investments and restructuring costs, in order to ensure it can transition to a greener way of producing steel. The Company will also require support in terms of energy infrastructure and long-term energy pricing. Whilst the directors are monitoring the progress of the constructive discussions in relation to additional financial support there is a risk that were such support not to be available, then the Company would be forced to look at alternative strategies for the business. However, given that talks with the UK government are progressing, the directors do not currently foresee any changes to the decarbonisation strategy of the Company in the near future.

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

For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty in relation to underlying market and business conditions given the challenging situation at the start of 2023/24, the possibility that the required government support for the decarbonisation strategy of the business may not be adequate, and the non-binding nature of the support letters provided by Proco and TSGH. Such factors may cast significant doubt on the Company's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company were unable to continue as a going concern.

Corporate Governance

For the year ended 31 March 2023, 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 Limited (TSE) and Tata Steel Limited (TSL) Groups. The TSUK Board is responsible for governance and oversight of the Company's business, including setting strategic priorities and monitoring the performance of the TSUK Group.

In 2022/23 the Board continued to review the TSUK Group's governance arrangements including new delegations of authority and adaptations to the Company's management structure. During the year, the Board delegated authority for day-to-day management of the business to a management team responsible for operations and key functions in the business. Three members of that team serve on the Board. In May 2023, the Company also appointed one of those persons as Chief Executive Officer to act as single point of leadership for the business. The Chief Executive Officer continues to be supported by a leadership team and is joined on the Board by two members of that team.

Tata Steel was established in India in 1907. Sir Jamestji 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. 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, 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. These have included updates wherever possible on discussions with key stakeholders towards the decarbonisation goals of the Company.

Principle 2 – Board Composition

During the FY2022/23 financial year the board membership comprised of six Directors. Three Directors hold senior positions in the TSL Group and two are also directors on the TSL board. Three senior representatives from the Company's executive management team, being the Chief Operating Officer (now the Chief Executive Officer), the Chief Commercial Officer and the Chief Financial Officer are also members of the Board. During the year, these roles reported 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.

During the year, day-to-day management of the Company's business was carried out by a team comprising the Chief Operations Officer, the Chief Commercial Officer, the Chief Financial Officer together with selected functional senior leaders. During the year, members of this team reported directly to the Chairman. With effect from May 2023, the Company appointed a Chief Executive Officer to provide a single point of day-to-day leadership for the Company and members of the Company's leadership team now report to the Chief Executive Officer.

The Board continues to have representation from different ethnic backgrounds. While the Board no longer has any women directors, the Board and the UK leadership team is conscious of the need to take steps to further enhance its diversity and that of the UK Value Chain. As is further reported on page 10, during the year the Company increased its focus on Diversity & Inclusion with a review of the Diversity and Inclusion and Dignity at Work policies. The business also established a Steering Group, which is developing the strategy in this area.

TSUK does not have its own Nominations Committee as this is dealt with at TSL level. Any appointments to boards of companies in the UK Value Chain are considered and approved by senior management in the business.

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

Principle 3 – Directors' Responsibilities

The Board convened meetings as and when required to discuss material matters affecting the Company and its subsidiaries, including the Company's plans for expansion, sustainability reporting, decarbonisation, equity restructuring, capital investments, strategic procurement provisions, pensions, financing arrangements, contract renewals, and health and safety matters. 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.

The TSE Audit Committee has historically taken responsibility for the review and assurance of all audit and legal compliance matters across the Tata Steel's European business and

matters arising in the UK are reviewed there, as well as in the TSUK Board whenever required.

In addition to their consideration at UK Board meetings, Safety, Health and Environment (SHE) matters are reviewed at a TSL Group level by a SHE committee. TSUK is represented at the SHE committee by the TSUK Chairman and, following his appointment, by the Chief Executive Officer. The UK Value Chain has adopted governance arrangements for health and safety which recognize the responsibility of the TSUK Board as well as the role of the Chief Executive Officer and the leadership team working through the UK Health & Safety Committee, comprised of management team members and other senior leaders, including those with specialist health and safety expertise. Under these arrangements TSUK continues to report material health, safety and environmental matters which impact TSUK to the TSL SHE Committee.

Members of the Board receive 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 and operating effectively.

The TSUK Board has a Policy for Delegations of Authority which reflect operating and managing structures of the UK Value Chain. During the year, many areas of the business have contributed to an update to the Policy Framework which is being published in 2023/24.

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. Climate change and decarbonisation continue to be key risks and the Company continues to seek 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 2022/23 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 4-7 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 Executive Officer, Chief Financial Officer and Chief Commercial Officer.

The UK Value Chain has a Compliance and Integrity Committee (C&IC) which meets quarterly. In addition, there is a regular joint meeting with persons responsible for these matters in Tata Steel's mainland European business as a forum to discuss matters of common interest. Reports are submitted 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.

Recommendations relating to the remuneration of Company employees are referred for approval to Directors not affected by the decision. 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 2022. Further information in relation to the Gender Pay Gap is available on page 10 of the 2022/23 Annual Report and on the

Corporate Governance pages of the Tata Steel Europe Website (www.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 prioritises the health, safety and wellbeing of its employees, contractors and other partners. Health and safety is prominently discussed in management team and senior leadership communications and management reviews. TSUK's ambition is Zero Harm and the health and safety annual plan and framework supports this ambition through engagement and communication with all employees, trade union representatives and contracting partners. Reflecting in particular on the tragic fatal incident at Llanwern in September 2022, this year the Board and leadership team have supported increased focus and engagement as described on page 9 of the 2022/23 Annual Report.

The Company engages with its employees in a number of ways and there are well-established arrangements at each business location for communication and consultation with trade union representatives to provide employees with information on matters of concern to them. The Company strives to ensure that well-developed policies and procedures are in place for consulting and negotiating with trade unions so that views of employees can be considered in making decisions that are likely to affect their interests.

Digital media continues to be used for regular live streaming events with employees such as performance updates and team meetings and to communicate the strategy and goals for the financial year. Employee surveys have also been conducted in segments of the business, the results of which have used to drive areas for employee engagement. Through the Peoplelink system, TSUK offers online learning and development courses accessible by all employees, including a series of mental health modules as well as other health, safety, and wellbeing training.

In relation to its shareholders, 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 relevant matters.

Following the Regulated Apportionment Arrangement in 2017, which separated the British Steel Pension Scheme for 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' agreements.

Directors and senior managers with relevant areas of expertise liaise with both national and devolved Government bodies, including regulators, as appropriate. Further participation by Directors and senior managers in these discussions is expected in 2023/24.

The Company encourages suppliers to work with the TSUK Group to create value for end customers, society and the TSUK group 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 supply chains. 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.

Delivering an excellent customer experience continues to be a key strategic priority for Tata Steel, and its business model, centered around direct engagement with customers aligned to market sectors allows for continuous feedback to support this ambition. The Commercial function continues to engage with customers including through 'The Voice of the Customer' process which provides regular and efficient feedback opportunities through brief surveys, and ad hoc customer research with deep dive studies to understand a particular aspect of TSUK's performance from the customer's perspective and identify ways to improve.

As the UK's largest steel producer, the Company and the TSUK group is dedicated to managing its operations responsibly and to create a sustainable business in the long term. More information with regards to TSUK's

decarbonisation activities can be found on page 13 of the 2022/23 Annual Report and in TSUK's sustainability report tata-steel-uk-sustainability-report-2021-2023.pdf (tatasteeleurope.com)

TSUK is committed to working in partnership with its local communities to support their social and economic wellbeing. During 2022/23, the Company held a number of community events near its sites, including those described on page 11 of the 2022/23 Annual Report.

In addition to these active means of engagement with its employees and contractors, the TSUK Group continues to operate a confidential reporting line which allows employees and others to report potential concerns while remaining anonymous.

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 2022/23 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 2022/23 Annual Report.

Post balance sheet events

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction will be recognised as an actuarial loss of c. £460m in the 2023/24 accounts. Following this transaction the scheme has now insured all of its liabilities.

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);
- Details of branch offices (see page 3);
- Principal risks and uncertainties (see page 4);
- Business environment and prospects (see page 8);
- Employee information (see page 10);
- Sustainability & Environment (see page 11);
- Climate Action (see page 12);
- Financial risk management objectives (see page 19)

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

K De
Director
Registered Office:
18 Grosvenor Place,
London,
SW1X 7HS
29 August 2023

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

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

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

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

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

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

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

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

Directors' confirmations

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

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

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

K De
Director
Registered Office:
18 Grosvenor Place,
London,
SW1X 7HS
29 August 2023

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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023 (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2023; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; the Presentation of accounts and accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 2 of these financial statements, we have provided no non-audit services to the company in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of preparation section included in the "Presentation of accounts and accounting policies" to the financial statements concerning the company's ability to continue as a going concern. Tata Steel Europe Limited and its subsidiaries, which includes Tata Steel UK Limited, has received a letter of support from T S Global Holdings Pte Ltd to either refinance or repay its Revolving Credit Facility and uncommitted facilities due to expire on or before June 2024. TS Global Procurement Pte Ltd has also provided a letter of support to Tata Steel UK Limited for access to £300m of additional working capital. However, the letters of support received are non-binding. Accordingly, there can be no certainty that the funds required by Tata Steel UK Limited will be made available. These conditions, along with the other matters explained in the Basis of preparation section included in the "Presentation of accounts and accounting policies" to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

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

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

- Evaluating and assessing the severe but plausible downside scenarios modelled.
- Assessing the basis for the letters of support provided to the Company by parent entities.
- Reviewing and challenging the basis of preparation disclosure presented by the directors in the financial statements.

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

Reporting on other information

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

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

With respect to the Strategic Report and Director's 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 Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Director's 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 health and safety, employment legislation, and climate-related regulations such as the Environmental Protection Act 1990 and the Pollution Prevent and Control Act 1999, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and potential management bias in accounting estimates in order to manipulate financial results and overstate profits. Audit procedures performed by the engagement team included:

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

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

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

F1. Income statement

For the financial year ended 31 March

	Note	2023 £m	2022 £m
Revenue	1	**3,127**	3,124
Operating costs excluding restructuring, impairment and disposals		**(3,348)**	(2,964)
Restructuring, impairment and disposals		**-**	(21)
Total operating costs	2	**(3,349)**	(2,985)
Operating (loss)/profit		**(222)**	139
Income from subsidiaries and joint arrangements	5	**-**	2
(Loss)/profit before interest and taxation		**(222)**	141
Finance income	6	**-**	3
Finance costs	6	**(57)**	(62)
(Loss)/profit before taxation		**(279)**	82
Taxation	7	**(395)**	126
(Loss)/profit for the financial year		**(674)**	208

All references to 2023 in the Financial statements, the presentation of accounts and accounting policies and the related Notes 1 to 30 refer to the financial year ended 31 March 2023 or as at 31 March 2023 as appropriate (2022: the financial year ended 31 March 2022 or as at 31 March 2022).

Notes and related statements forming part of these accounts appear on pages 38 to 65.

F2. Statement of comprehensive income

For the financial year ended 31 March

	Note	2023 £m	2022 £m
(Loss)/profit for the financial year		**(674)**	208
Items that will not be reclassified subsequently to the income statement:			
Actuarial (losses)/gains on defined benefit pension and other post-retirement plans	25	**(1,410)**	30
Income tax relating to items that will not be reclassified	7	**353**	(8)
Items that may be reclassified subsequently to the income statement:			
(Losses)/gains arising on cash flow hedges	22	**(166)**	60
Income tax relating to items that may be reclassified	7	**38**	(11)
Other comprehensive (loss)/income for the year net of tax		**(1,185)**	71
Total comprehensive (loss)/income for the year		**(1,859)**	279

Notes and related statements forming part of these accounts appear on pages 38 to 65

F3. Balance sheet

As at 31 March	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	8	**20**	19
Property, plant and equipment	9	**598**	528
Investments and loans to subsidiary and fellow group undertakings	10	**315**	326
Deferred tax assets	11	**102**	104
Retirement benefit assets	25	**685**	2,049
		1,720	3,026
Current assets			
Inventories	12	**619**	685
Trade and other receivables	13	**138**	276
Cash and short term deposits	14	**52**	100
		809	1,061
TOTAL ASSETS		**2,529**	4,087
Current liabilities			
Inter-group borrowings	15	**175**	82
External borrowings	15	**234**	180
Trade and other payables	16	**873**	786
Current tax liabilities	17	**4**	3
Short term provisions and other liabilities	18	**80**	24
		1,366	1,075
Non-current liabilities			
Inter-group borrowings	15	**503**	481
External borrowings	15	**203**	209
Retirement benefit obligations	25	**7**	8
Provisions and other liabilities	18	**51**	55
Other non-current liabilities	19	**1**	1
Deferred income	20	**1**	2
		766	756
TOTAL LIABILITIES		**2,132**	1,831
NET ASSETS		**397**	2,256
Equity			
Called up share capital	21	**2,242**	2,242
Share premium account		**4,523**	4,523
Capital redemption reserve		**47**	47
Hedging reserve		**(82)**	46
Accumulated losses		**(6,333)**	(4,602)
TOTAL EQUITY		**397**	2,256

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

K De

Director

29 August 2023

Tata Steel UK Limited

Registered No: 02280000

Notes and related statements forming part of these accounts appear on pages 38 to 65.

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 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**
Loss for the year	-	-	-	-	(674)	**(674)**
Other comprehensive loss for the year	-	-	-	(128)	(1,057)	**(1,185)**
Total comprehensive loss for the year	-	-	-	(128)	(1,731)	**(1,859)**
Balance as at 31 March 2023	**2,242**	**4,523**	**47**	**(82)**	**(6,333)**	**397**

Notes and related statements forming part of these accounts appear on pages 38 to 65.

F5. Presentation of accounts and accounting policies

I Basis of preparation

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

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

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

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

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

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 TSL group, the Company has benefitted from significant financial support from its parent companies in order to settle historic financial indebtedness and to invest in working capital. This support included equity proceeds of £1,366m in 2021/22 and support in arranging bank finance facilities which the Company either has direct access to or indirect access via other TSL group companies.

The directors have considered a number of possible scenarios for its financial position including the impact of a 10% decrease to steel margins than has been assumed in the Company's Annual Plan (the "base case") and the mitigating actions the Company could take to limit any adverse consequences to liquidity. The steel industry is cyclical and TSUK starts 2023/24 at the bottom of the industry cycle with challenging market conditions which are forecast to result in lower profitability at the beginning of the year. The Company ended the 2022/23 financial year with a positive cash balance and unutilised financing facilities of £220m which, along with specific actions being taken to improve business performance, is expected to ensure that the Company can manage this period of downturn and is well placed to respond through efforts towards optimising its production and delivery volumes in 2023/24 and with expected improvements in market conditions in the latter half of the year.

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

The Company 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. Decarbonisation is central to the long term strategy of the Company which has set out its ambition to be carbon neutral by 2045. However, the technological shift required to enable the transition to carbon neutral steel will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. Carbon Border Adjustment Mechanism), and other government legislation. Similar to all steel companies operating in Europe, the Company is expected to require significant financial assistance from the national government to support the additional investments and restructuring costs, in order to ensure it can transition to a greener way of producing steel. The Company will also require support in terms of energy infrastructure and long-term energy pricing. Whilst the directors are monitoring the progress of the constructive discussions in relation to additional financial support there is a risk that were such support not to be available, then the Company would be forced to look at alternative strategies for the business. However, given that talks with the UK government are progressing, the directors do not currently foresee any changes to the decarbonisation strategy of the Company in the near future.

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

For these reasons, while the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty in relation to underlying market and business conditions given the challenging situation at the start of 2023/24, the possibility that

the required government support for the decarbonisation strategy of the business may not be adequate, and the non-binding nature of the support letters provided by Proco and TSGH. Such factors may cast significant doubt on the Company's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company were unable to continue as a going concern.

All accounting policies used in the preparation of the financial statements remained consistent with those applied in the preparation of the Annual Report in 2022.

II New Standards and interpretations applied

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

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

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

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.

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 2023, or have an effective date after the date of these financial statements:

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

** periods commencing on or after*

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

IV Use of estimates and critical accounting judgements

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 was updated. The definition of the Company's CGUs in the current year is consistent with those used in the prior year following changes made in light of the formal separation.

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 25.

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 18.

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 Company. 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 11.

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 2023 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

(e) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the 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, energy and CO2 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.

F6. Notes to the financial statements

For the financial year ended 31 March

1. Revenue

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

	2023 £m	2022 £m
Revenue by destination:		
UK	**1,777**	1,856
Europe excluding UK	**1,185**	1,146
Rest of the world	**165**	122
	3,127	3,124

2. Operating costs

	2023 £m	2022 £m
Costs by type:		
Raw materials and consumables	**1,631**	1,645
Maintenance costs (excluding own labour)	**334**	250
Other external charges (including fuels & utilities, hire charges and carriage costs)	**709**	569
Employment costs (Note 4)	**367**	406
Depreciation, amortisation and impairment (Notes 3,8 & 9)	**60**	62
Other operating items (including rents, rates, insurance and general expenses)	**167**	180
Changes in inventory of finished goods and work in progress	**84**	(122)
Own work capitalised	**(2)**	(2)
Profit on disposal of property, plant and equipment	**(2)**	(11)
(Profit)/Loss on disposal of group undertakings (Note 29)	**(10)**	8
Waiver of loan to subsidiary undertaking (Note 10)	**10**	-
	3,348	2,985

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Total £m
The above cost in 2023 includes:			
Raw materials and consumables	1,631	-	**1,631**
Maintenance costs (excluding own labour)	334	-	**334**
Other external charges (including fuels & utilities, hire charges and carriage costs)	709	-	**709**
Employment costs (Note 4)	367	-	**367**
Depreciation, amortisation and impairment (Notes 3,8 & 9)	59	1	**60**
Other operating items (including rents, rates, insurance and general expenses)	166	1	**167**
Changes in inventory of finished goods and work in progress	84	-	**84**
Own work capitalised	(2)	-	**(2)**
Profit on disposal of property, plant and equipment	-	(2)	**(2)**
Loss on disposal of group undertakings (Note 29)	-	(10)	**(10)**
Waiver of loan to subsidiary undertaking (Note 10)	-	10	**10**
	3,348	-	**3,348**

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

	2023 £m	2022 £m
The above costs are stated after including:		
Amortisation of intangible assets (Note 8)	5	5
Depreciation of owned assets (Note 9)	21	15
Depreciation of right of use assets	33	34
Impairment losses related to property, plant and equipment (Note 9)	1	7
Impairment losses related to spares (Note 9)	-	1
Expenses relating to variable lease payments not included in lease liabilities	82	59
Charge on provision for emission rights deficit (Note 18)	70	95
Differences in exchange rates	(14)	13
Costs of research and development (gross)	9	7
Recoveries on research and development	(14)	(12)

The analysis of auditors' remuneration is as follows:

	2023 £m	2022 £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, including fees payable for non-audit services £5,000 during the year ended 31 March 2023.

3. Net restructuring and impairment costs

	2023 £m	2022 £m
Provision for restructuring and related measures:		
Redundancy and related costs (Note 4)	1	14
Pension restructuring costs (Note 25)	-	3
Other rationalisation costs	2	1
Impairment losses related to property, plant and equipment (Note 9)	-	7
Impairment losses related to right of use assets (Note 9)	1	-
Impairment losses related to spares (Note 9)	-	1
	4	26
Credits for restructuring and related measures:		
Redundancy and related costs	(1)	(1)
Other rationalisation costs	(1)	(1)
	(2)	(2)
Total net restructuring and impairment costs	2	24

4. Employees

	2023 £m	2022 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	331	343
Social security costs	37	34
Pension costs (iii)	(1)	13
As included in operating costs	367	390
Net redundancy, pension restructuring and related costs (included within restructuring costs)	-	13
Pension restructuring costs (iii)	-	3
	367	406

(i) The monthly average number of employees during the year was 7,913 (2022: 7,890). This total includes operations staff of 6,654 (2022: 6,697), and functional support of 1,259 (2022: 1,193).

(ii) Directors' remuneration

The total employment costs of the directors in the Group were:	2023 £m	2022* £m
Short term employee benefits	1.0	-
Other long term benefits	0.1	-
Compensation for loss of office	0.4	-

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

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. Dr H Adam, Mr K Chatterjee and Mr T V Narendran were directors of TSE and a number of fellow subsidiaries during 2023. It is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments for the aforementioned, whose emoluments are disclosed in the aggregate of the directors' emoluments in the financial statements of TSE or TSL, with whom they have their primary employment contract.

*Mr M Davies, Mr A Jhanji and Mr R Nair were all appointed Directors of the Company on 17 March 2022. Therefore, their remuneration as Directors for this period in 2022 was less than £100k.

(iii) Highest paid director

Total amount of emoluments:	2023 £m	2022 £m
Short term employee benefits	0.4	-
Other long term benefits	0.1	-

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

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

	2023 £m	2022 £m
Defined benefit scheme credit (Note 25)	(47)	(31)
Defined contribution scheme costs (Note 25)	46	44
Costs for setting up the new BSPS scheme borne directly by the company	-	3
	(1)	16

5. Income from subsidiaries and joint arrangements

	2023 £m	2022 £m
Dividends from subsidiaries	-	1
Dividends from joint arrangements	-	1
	-	2

6. Financing items

	2023 £m	2022 £m
Interest expense:		
Bank and other borrowings	12	5
Finance lease interest	11	11
Interest on loans from other group companies	13	23
Interest on loans from parent undertakings	6	18
Discount on disposal of trade debtors within purchase agreement with external companies	15	5
Finance costs	57	62
Interest income:		
Other interest income	-	(2)
Interest receivable on deferred proceeds	-	(1)
Finance income	-	(3)
	57	59

7. Taxation

	2023 £m	2022 £m
Current year tax charge	2	2
Prior year tax charge/(credit)	1	(4)
Deferred tax charge/(credit) (Note 11)	392	(123)
	395	(125)

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

	2023 £m	2022 £m
(Loss)/profit before taxation	(279)	82
(Loss)/profit before taxation multiplied by the standard corporation tax rate of 19% (2022: 19%)	(53)	16
Effects of:		
Adjustments to current tax in respect of prior periods	1	(4)
Impact of change in tax rates (i)	91	(25)
Change in unrecognised losses and other tax credits	353	(118)
Other permanent differences	3	6
	395	(125)

(i) The £91m charge (2022: £25m credit) 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:

	2023 £m	2022 £m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	(353)	8
Revaluation of financial instruments treated as cash flow hedges	(38)	11
	(391)	19

8. Intangible assets

2023	Computer software £m	Patents and trademarks £m	Total £m
Cost as at 1 April 2022	227	4	**231**
Additions	6	-	**6**
Cost as at 31 March 2023	233	4	**237**
Accumulated amortisation as at 1 April 2022	209	3	**212**
Charge for the period	5	-	**5**
Accumulated amortisation as at 31 March 2023	214	3	**217**
Net book value as at 31 March 2023	**19**	**1**	**20**
Net book value as at 31 March 2022	18	1	19

The remaining amortisation period for computer software is approximately 3 years (2022: 3 years).

(i) The Company recognised nil impairment charge (2022: £nil) against computer software.

9. Property, plant and equipment

2023	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 2022	333	3,428	143	132	**4,036**
Additions	3	29	16	59	**107**
Disposals	(5)	(81)	(11)	-	**(97)**
Transfer from assets in course of construction	-	44	-	(44)	**-**
Cost as at 31 March 2023	331	3,420	148	147	**4,046**
Accumulated depreciation as at 1 April 2022	236	3,189	99	22	**3,546**
Charge for the period	12	34	8	-	**54**
Impairment losses recognised during the period	1	-	-	-	**1**
Disposals	(5)	(79)	(12)	-	**(96)**
Reclassifications	-	-	-	-	**-**
Accumulated depreciation as at 31 March 2023	244	3,144	95	22	**3,505**
Net book value as at 31 March 2023	87	276	53	125	**541**
Spares (net book value)					**57**
Net book value as at 31 March 2023					**598**
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	97	239	44	110	528

The additions to the right-of-use assets during the 2023 financial period were £1m (2022: £1m).

The Company recognised a total impairment charge of £1m in the year (2022: £8m).

Property, plant and equipment was tested at 31 March 2023 for impairment at that date where indicators of impairment existed. A value in use (VIU) calculation has been prepared to consider the recoverable amount and assess whether this exceeds the carrying value. This VIU calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU and UK steel demand, energy costs, exchange rates, and a pre-tax discount rate of 11.7% (2022: 9.3%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources.

In preparing the value in use calculation TSUK has considered the effect that climate related risks may have on its future cash flow generation. Included within the cash flow forecasts are estimates for costs of compliance under the UK Emissions Trading Scheme based on the Company's estimated shortfall between free allowances under the scheme and actual emissions.

The outcome of this test indicated that 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 £1m (2022: £7m) has been recognised 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 2023 of £598m, 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 which would result in an impairment charge of £78m being recognised against the PPE of the TSUK CGU. An 11% decrease to the hot rolled coil gross margin spread assumption used in the third year of the Company's value in use forecast would result in a decrease of £662m in the headroom of the value in use above the carrying value of the PPE which would result in an impairment charge of £598m being recognised against the PPE of the TSUK CGU.

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

(i)

As at 31 March	2023 £m
The net book value of land and buildings comprises:	
Freehold	22
Short leasehold	65
	87
Which may be further analysed as:	
Right of use assets not subject to operating leases:	
Cost	130
Accumulated depreciation	(65)
	65
Owned assets	22
	87

(ii)

As at 31 March	2023 £m
The net book value of plant and machinery comprises:	
Right of use assets not subject to operating leases:	
Cost	153
Accumulated depreciation	(51)
	102
Owned assets	174
	276

(iii)

As at 31 March	2023 £m
The net book value of spares comprises:	
Cost	360
Accumulated depreciation and impairment losses	(303)
	57

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

10. Non-current investments

2023	Shares in subsidiary undertakings (i)	Loans to subsidiary undertakings (ii)	Interests in joint ventures and associates	Loans to joint ventures	Other investments	Total
	£m	£m	£m	£m	£m	£m
Cost as at 1 April 2022	696	93	1	20	7	**817**
Disposals (iii)	(58)	(10)	-	-	-	**(68)**
Repurchase of shares (iv)	(1)	-	-	-	-	**(1)**
Cost at end of period	637	83	1	20	7	**748**
Provisions at 1 April 2022	434	29	1	20	7	**491**
Disposals	(58)	-	-	-	-	**(58)**
Provisions at end of period	376	29	1	20	7	**433**
Net book value at 31 March 2023	**261**	**54**	-	-	-	**315**
Net book value at 31 March 2022	262	64	-	-	-	326

(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 11.7% (2022: 9.3%), 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 2023 resulted in £nil impairment (2022: £nil).

(ii) Included in the above net book value of loans to parents, subsidiaries and fellow group undertakings at 31 March 2023 are loans of £64m (2022: £64m) which are non-interest bearing and have no fixed repayment date.

(iii) On 18 January 2023 the Company waived a loan receivable of £10m from its subsidiary, London Works Steel Company Limited, as part of the Company's corporate simplification programme following which London Steel Works Company Limited was placed into Members Voluntary Liquidation. The disposals of shares in subsidiary undertakings relate to the removal of cost and provisions of fully written down investments in a number of subsidiary companies which were dissolved as part of the corporate simplification programme.

(iv) On 28 March 2023 Tata Steel International (India) Limited repurchased a portion of its own shares from the Company.

11. Deferred tax

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

As at 31 March	2023 £m	2022 £m
Deferred tax assets	**102**	104
	102	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.

2023	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Interest £m	Other £m	Total £m
At 1 April 2022	221	372	(510)	27	(6)	**104**
(Charged)/credited to income statement	(25)	(372)	(11)	15	1	**(392)**
Credited to other comprehensive income	-	-	352	-	38	**390**
At 31 March 2023	**196**	**-**	**(169)**	**42**	**33**	**102**

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
Charged to other comprehensive income	-	-	(8)	-	(11)	(19)
At 31 March 2022	221	372	(510)	27	(6)	104

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 and 31 March 2023.

Deferred tax assets of £102m (2022: £104m) have been recognised at 31 March 2023. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSUK Board approved budgets and forecasts. 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 model for PPE impairment testing but with the application of an increasing "uncertainty factor" to reflect the fact that profits may not be probable the further into the future the forecast extends. The Group has performed sensitivity analysis on the calculation for the UK deferred tax asset which shows that increasing the "uncertainty factor" by 5% would have resulted in a lower deferred tax asset of £88m (2022: £86m) and decreasing the "uncertainty factor" by 5% would have resulted in a higher deferred tax asset of £130m (2022: £125m).

Deferred tax assets have not been recognised in respect of total tax losses of £4,104m (2022: £2,487m) and other tax credits of £113m (2022: £nil) which can be carried forward indefinitely.

12. Inventories

As at 31 March	2023 £m	2022 £m
Raw materials and consumables	304	286
Work in progress	124	192
Finished goods and goods for resale	191	207
	619	685

The value of inventories above is stated after impairment of £61m (2022: £17m) for obsolescence and write-downs to net realisable value.

13. Trade and other receivables

As at 31 March	2023 £m	2022 £m
Trade receivables	29	69
Less: provision for impairment of receivables	-	-
	29	69
Amounts owed by parent undertakings	7	7
Amounts owed by group companies	34	69
Amounts owed by subsidiary undertakings	7	17
Derivative financial instruments (Note 22)	1	69
Other taxation	6	-
Prepayments	9	7
Deferred proceeds on sale of business	13	8
Deferred proceeds on sale property, plant and equipment	-	5
Other receivables	32	25
	138	276

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

14. Cash and short term deposits

As at 31 March	2023 £m	2022 £m
Cash at bank and in hand	47	95
Short term deposits	5	5
	52	100

15. Borrowings

As at 31 March	2023 £m	2022 £m
Current:		
Intergroup:		
Amounts owed to parent undertakings (i)	175	82
	175	82
External:		
Bank loans	200	150
Obligations under finance leases	34	30
	234	180
	409	262

As at 31 March	2023 £m	2022 £m
Non-current:		
Inter-group:		
Amounts owed to subsidiary undertakings	503	481
	503	481
External:		
Obligations under finance leases	153	159
Bank loans	50	50
	203	209
	706	690
Total borrowings	1,115	952

(i) Included in amounts owed to parent undertakings in 2023 are three loans of £50m totalling £150m due to Tata Steel Europe Limited and a loan of £25m due to Tata Steel Netherlands Holding BV. The loans due to Tata Steel Europe Limited carried interest charges of 5.25%, 5.50% and 6.00%. The loan due to Tata Steel Netherlands Holding BV carried an interest charge of 5.69%.

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 October 2022. 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	
	2023 £m	2022 £m	2023 £m	2022 £m
Not later than one year	45	41	34	30
Later than one year but not more than five years	155	143	133	119
More than five years	22	45	20	40
	222	229	187	189
Less: future finance charges on finance leases	(35)	(40)	-	-
Present value of lease obligations	187	189	187	189

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

16. Trade and other payables

As at 31 March	2023 £m	2022 £m
Trade payables	438	459
Amounts owed to group companies	194	195
Amounts owed to parent undertakings	40	26
Amounts owed to joint ventures (Note 26)	5	1
Amounts owed to subsidiaries	3	2
Other taxation and social security	14	21
Interest payable to parent undertakings	1	3
Interest payable to subsidiaries	3	-
Derivative financial instruments (Note 22)	136	8
Capital expenditure creditors	22	37
Other payables	17	34
	873	786

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

17. Current tax liabilities

As at 31 March	2023 £m	2022 £m
UK corporation tax	4	3
	4	3

18. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Environmental provision (iii) £m	Other (iv) £m	Total 2023 £m	Total 2022 £m
As at 31 March	19	31	14	15	79	319
Charged to income statement	3	6	64	2	75	30
Released to income statement	(2)	-	-	(2)	(4)	(16)
Transfers	-	1	-	-	1	-
Utilised in period	(6)	(8)	-	(6)	(20)	(254)
At 31 March	14	30	78	9	131	79
Analysed as:						
Current liabilities	2	-	77	1	80	24
Non-current liabilities	12	30	1	8	51	55

(i) Rationalisation costs include redundancy provisions as follows:

	2023 £m	2022 £m
At beginning of period	6	-
Charged to income statement	1	14
Released to income statement	(1)	(1)
Utilised during the period	(5)	(7)
At end of period	1	6

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

Although the precise timing in respect of utilising the redundancy is not known, the majority is expected to be incurred within one year. At 31 March 2023 the rationalisation provision included £4m (2022: £3m) in respect of onerous leases on a discounted basis and £4m (2022: £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.

(iv) 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.

19. Other non-current liabilities

As at 31 March	2023 £m	2022 £m
Financial guarantees	1	1
	1	1

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. Over the years, the borrowings and lender commitments under the old SFA have been refinanced a number of times with the most recent refinancing on 4 October 2022 (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.

20. Deferred income

	Total 2023 £m	Total 2022 £m
At 1 April	2	2
Released to P&L	(1)	-
At 31 March	1	2

All grants relate to revenue.

21. Called up share capital

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

Authorised	2023 £m	2022 £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	2023 £m	2022 £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	-	-

There were no new shares issued in the period.

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.

22. Financial instruments

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

As at 31 March	2023 £m	2022 £m
Derivative financial assets	1	69
Derivative financial liabilities	(136)	(8)
Total derivatives	(135)	61

Derivative financial instruments used by the Company include forward rate contracts for exchange rate and energy price exposure, 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:

	2023		2022	
As at 31 March	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current:				
Foreign currency contracts	1	(24)	13	(8)
Commodity contracts	-	(112)	56	-
	1	(136)	69	(8)

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	2023 £m	2022 £m
Commodity contracts	(100)	53
Currency contracts	(9)	4
Tax	27	(11)
Cash flow hedge reserve	(82)	46

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	2023 £m
Cash flow hedge reserve net of taxation at beginning of period	53	4	(11)	46
Fair value recognised	(153)	(13)	38	(128)
Cash flow hedge reserve net of taxation at end of period	(100)	(9)	27	(82)

	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

There was no charge recorded in the income statement for the current year in relation to hedges for a single transaction that did not transpire (2022: £85m).

23. Future capital expenditure

As at 31 March	2023 £m	2022 £m
Contracted but not provided for	32	13
Authorised but contracts not yet placed	102	125

At the end of the period there was £nil (2022: £2m) of future expenditure planned in relation to intangible assets.

24. Contingencies

	2023 £m	2022 £m
Guarantees given under trade agreements	55	46

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.

25. 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 2023 amounted to £46m (2022: £44m).

Defined benefit schemes

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

The BSPS is the legacy defined benefit pension scheme in the UK and is closed to future accrual. The current Scheme is the successor to the old BSPS which entered a PPF assessment period in March 2018. The Scheme currently has around 67,000 members of which c.80% are pensioners with benefits in payment. The 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 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), legal risks (for example changes in legislation that may increase liabilities), and counterparty risk (relating to a counterparty to a derivative transaction or insurance contract defaulting on their obligations). TSUK has worked with the Trustee to develop and implement an Integrated Risk Management ('IRM') framework to manage these risks. The framework provides ongoing monitoring of the key investment, funding and covenant risks facing the scheme and tracks progress against the scheme's journey plan and target of insuring liabilities in full with one or more insurers. Measures taken by the Trustee to manage risk include the use of asset-liability matching techniques to protect funding levels relative to insurer pricing. However, the scheme's interest rate risk is hedged on a long term funding basis linked to gilts whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the TSE financial statements should yields on gilts and corporate bonds diverge.

The BSPS Trustee and Company have established a framework for dynamic de-risking as and when conditions are appropriate. The framework provides for the parties to agree to partial buy-in transactions with one or more insurers over a period of time. In relation to this, the scheme completed its first buy-in transaction in respect to a small portion of the overall liabilities during the year ended 31 March 2022. It has also completed two further buy-in transactions during the current year involving the purchase of annuities with an external insurer of the order of £2.2bn and £2.1bn in May 2022 and December 2022 respectively. Following the buy-ins the relevant annuity asset has been valued on an IAS 19 basis and the corresponding difference between the premium paid and the IAS 19 asset value has been treated as an asset loss through the OCI. Following the completion of the transactions within the current year, around 60% of the liabilities of the scheme were covered by insurance policies as at 31 March 2023. On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction will be recognised as an actuarial loss of c. £460m in the 2023/24 accounts. Following this transaction the scheme has now insured all of its liabilities.

TSUK retains the sole power to decide whether to proceed to wind-up the Scheme and buy-out liabilities. The Pensions Framework Agreement agreed as part of the RAA stipulates that this can only be achieved if the valuation of the Scheme on a "buyout" basis is either at or above 103%. The 3% excess above full funding would be applied for restoration of an element of member benefits foregone as part of the RAA.

During March 2023 the Scheme entered a non-binding price lock arrangement covering the remaining un-insured liabilities which is expected to complete during the early part of 2023/24. Whilst the expected transaction is not reflected in the position as at 31 March 2023, the pricing within this agreement indicates that a funding level over 103% will be achieved and accordingly the company now considers it highly probable that the 103% increase will be granted once the expected transaction completes. As such an allowance of £175m has been included in the IAS 19 31 March 2023 liability calculation representing the estimated value of this 103% benefit uplift (2022: £nil).

The BSPS holds an anti-embarrassment interest in TSUK agreed as part of the Regulated Apportionment Arrangement ("RAA") entered into in 2017. The anti-embarrassment interest was initially 33.33% at the time of the RAA but has since been diluted to less than 1% due to successive equity issuances by TSUK to its parent company Corus Group Limited. No value has been included in the BSPS's assets at 31 March 2023 (2022: £nil) for its interest in TSUK.

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

On 26 October 2018 the High Court ruled that UK pension schemes would be required to equalise guaranteed minimum pensions ('GMP'). The ruling also provided guidance on how this equalisation should be undertaken. Following this ruling, TSE recognised in the 2018/19 financial year an increase of £50m to the BSPS liabilities in respect of the estimated impact of this equalisation. During October 2022, the Scheme Trustee's carried out a further analysis and found a more refined estimate could be slightly smaller than the original estimate. Given the expectation of the equalisation cost being smaller than previously budgeted, the Company has reduced the GMP equalisation allowance as at 31 March 2023 to £30 million (2022: £50m).

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

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

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

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

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:

2023	BSPS %	Other %
Salary growth[1]	n/a	n/a
Pension increases[2]	2.91	3.36
Discount rate	4.87	5.00
Inflation	2.91	3.36

[1] The BSPS is closed to future accrual.
[2] Where applicable a CPI assumption of 2.91% has been applied within the BSPS.

2022	BSPS %	Other %
Salary growth[3]	n/a	n/a
Pension increases[4]	3.07	3.59
Discount rate	2.72	2.72
Inflation	3.07	3.59

[3] The BSPS is closed to future accrual.
[4] Where applicable a CPI assumption of 3.07% 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 2023 use the Self-Administered Pension Schemes 3 (SAPS 3) base tables, S3PMA_M/S3PFA/S3DFA with the 2020 CMI projections with a 1.25% p.a. (2021-22: 1.25% p.a.) long-term trend applied from 2013 to 2021 (adjusted by a multiplier of 1.03 p.a. (2021-22: 1.03 p.a.) for males, 1.03 p.a. (2021-22: 1.03 p.a.) for females and 1.04 p.a. for female dependents (2021-22: 1.04 p.a)). In addition, future mortality improvements are allowed for in line with the 2021 CMI Projections with a long-term improvement trend of 1% (2022: 1%) per annum, a smoothing parameter of 7.0 (2022: 7.0), an initial addition parameter of 0% (2022: 0%) and a 10% weight on mortality experience allowance (2022 :nil), for adopting w2020 and w2021 parameters for excess deaths in the UK in the COVID-19 affected years . This indicates that today's 65 year old male member is expected to live on average to approximately 86 years (2021-22: 86 years) of age and a male member reaching age 65 in 15 years' time is then expected to live on average to 86 years (2021-22: 87) of age.

Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, salary growth and mortality. The sensitivity analysis below 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 50bps (2022: 10bps)	Decrease by 5.0% / increase by 5.4%
Inflation	Increase/decrease by 50bps (2022: 10bps)	Increase by 2.3% / decrease by 2.4%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.0%

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

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

Income statement costs

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

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

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

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

Income statement pension costs arose as follows:

	2023 £m	2022 £m
Current service cost	8	10
Net interest income	(55)	(41)
Defined benefit schemes	(47)	(31)
Defined contribution schemes	46	44
Total (credit)/charge for the period	(1)	13

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

	2023 £m	2022 £m
Pension costs (Note 4)	(1)	13
Pension restructuring costs (Note 4)	-	3
Total (credit)/charge for the period	(1)	16

The actual return on plan assets for the above schemes was a loss of 2,666m (2022: £11m gain).

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	2023 %	2022 %
Quoted:		
Equities - UK Entities	**0.0**	0.2
Equities - Non-UK Entities	**0.0**	4.7
Bonds - Fixed Rate	**28.8**	65.6
Bonds - Index Linked	**4.8**	25.4
Derivatives	**0.0**	0.2
	33.6	96.1
Unquoted:		
Real estate	**7.0**	12.6
Derivatives	**0.1**	(16.6)
Cash and cash equivalents	**3.5**	3.0
Insurance Annuity Policy	**54.9**	4.0
Other	**0.9**	0.9
	66.4	3.9
	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:

2023	BSPS £m	Other £m	Total £m
Fair value of plan assets	6,681	-	**6,681**
Present value of obligation	(5,996)	(7)	**(6,003)**
Defined benefit asset/(liability)	685	(7)	**678**
Disclosed as:			
Defined benefit asset	685	-	**685**
Defined benefit liability - non-current	-	(7)	**(7)**
Arising from:			
Funded schemes	685	-	**685**
Unfunded schemes	-	(7)	**(7)**

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)**

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

2023	BSPS £m	Other £m	Total £m
Plan assets:			
At 1 April 2022	9,874	-	**9,874**
Interest income on plan assets	262	-	**262**
Return on plan assets less than the discount rate	(2,928)	-	**(2,928)**
Benefits paid	(527)	-	**(527)**
At 31 March 2023	6,681	-	**6,681**
Defined benefit obligation:			
At 1 April 2022	7,825	8	**7,833**
Current service cost	8	-	**8**
Interest cost on the defined benefit obligation	207	-	**207**
Actuarial gain due to financial assumption changes	(1,498)	(1)	**(1,499)**
Actuarial gain due to demographic assumption changes	(41)	-	**(41)**
Actuarial loss due to actuarial experiences	22	-	**22**
Benefits paid	(527)	-	**(527)**
At 31 March 2023	5,996	7	**6,003**

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

Actuarial losses recorded in the Statement of Comprehensive Income for the period were £1,410m (2022: £30m gain).

26. 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.

	2023 £m	2022 £m
Amounts reported within the income statement:		
Purchases from joint operations	**5**	6
Amounts reported within the balance sheet:		
Amounts owed to joint operations (Note 16)	**5**	1

27. Events after the balance sheet date

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction will be recognised as an actuarial loss of c. £460m in the 2023/24 accounts. Following this transaction the scheme has now insured all of its liabilities.

28. Ultimate and immediate parent company

Corus Group Limited is the Company's immediate parent company, which is registered in England and Wales. TSE is an intermediate holding company, registered in England and Wales, and is 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.

29. Disposal of group undertakings

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

	2023 £m	2022 £m
Reversal of impairment of deferred consideration (i)	10	(8)
Profit/ (loss) on disposal of group undertaking	10	(8)

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

30. Details of related undertakings

The subsidiary undertakings, joint ventures and associates of the Company at 31 March 2023 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

Subsidiary undertakings

Steel producing, further processing or related activities:

Brazil	
Tata Steel International (South America) Representacoes Limited (ii) (iii)	Santiago & Amboulos Advogados, Av. Rio Branco, 45 - 10º andar - Grupo 1013, Centro - Rio de Janeiro - RJ. CEP: 20090-003
Germany	
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
India	
Tata Steel International (India) Limited (i) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
Ireland (Republic of)	
Gamble Simms Metals Limited (ii) (iii)	70 Sir John Rogerson's Quay, Dublin 2, Ireland
Isle of Man	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
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)	7, Hirsova Street, Sector 3, Bucharest, Romania
South Africa	
TS South Africa Sales Office Proprietary Limited (ii) (iii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
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) (iv) (xii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
00030048 Ltd (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
137050 Limited (ii) (iii) (xiii)	30 Millbank London SW1P 4WY
British Steel Directors (Nominees) Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
British Steel Trading Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Catnic Limited (i) (iii) (viii) (ix) (xiii)	Teneo Financial Advisory Colmore Circus Queensway Birmingham B4 6AT
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 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 International (Overseas Holdings) Limited (ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus Investments Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, 100 West George Street, Glasgow. G2 1PJ
Corus Liaison Services (India) Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
Corus Management Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
Corus Property(ii) (iii)	18 Grosvenor Place London SW1X 7HS
Corus UK Healthcare Trustee Limited (i) (iii)	18 Grosvenor Place London SW1X 7HS
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
London Works Steel Company Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
Orb Electrical Steels Limited (ii) (iii) (xiii)	Teneo Financial Advisory Ltd, The Colmore Building, 20 Colmore Circus Queensway, Birmingham. B4 6AT
Runblast Limited (ii) (iii)	Hill House, 1 Little New Street London EC4A 3TR
Steel Stock Holders (Birmingham) (ii) (iii) (xiii)	9 Albert Embankment, London. SE1 7SN
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
U.E.S. Bright Bar Limited (xiii)	Teneo Financial Advisory 154 Great Charles Street Queensway Birmingham B3 3HN
UES Cable Street Mills Ltd (ii) (iii)	9 Albert Embankment, London. SE1 7SN
UK Steel Enterprise Limited (i) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP

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%) (ii) (iii) (v)	Corinthian House, 17 Lansdowne Road, Croydon, Greater London, CR0 2BX
USA	
Oremco Inc (30%) (ii) (iii)	261 Madison Avenue, New York, 10016, United States

Classification key:

(i) Owned by the Company
(ii) Ordinary shares
(iii) Ordinary A shares
(iv) Ordinary B shares
(v) Sold post year end
(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