

**TATA STEEL**

A low-angle, upward-looking photograph of a modern cable-stayed bridge. The bridge's concrete deck and support structures are the primary focus, with numerous white cables fanning out from a central pylon against a clear blue sky. The perspective creates a sense of height and structural complexity.

Tata Steel UK Holdings  
Limited  
Report & Accounts 2020

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## A1. Group's business

### *Introduction*

The directors have pleasure in presenting their strategic report together with the audited accounts of Tata Steel UK Holdings Limited ('TSUKH' or the 'Company'), and the audited accounts of TSUKH and its subsidiary companies (the 'Group'), for the year ended 31 March 2020.

### *Ownership*

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

### *Principal activities*

The principal activity of the company is a holding company and the principal activities of the Group in 2019/20 comprised the manufacture and sale of steel products throughout the world. The Group's continuing operations produced carbon steel by the basic oxygen steelmaking method at its integrated steelworks in the Netherlands at IJmuiden and in the UK at Port Talbot. During 2019/20 these plants produced 10.3mt of liquid steel 2018/19 (10.3mt). During the year 6.8mt of liquid steel was produced at IJmuiden, 0.3mt lower than the previous year reflecting weaker market demand, and 3.5mt was produced at Port Talbot, 0.3mt higher than the previous year due to an outage in 2018/19 to extend the life of Blast Furnace 5.

The Group organises its commercial activities into strategic sectors and these sector teams identify demand, which is met from a single, pan-European, supply chain function. The Group has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for the distribution and further processing of steel products.

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

Further information on TSUKH can be obtained from the TSL 2019/20 Annual Report & Accounts which may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001 or from Tata Steel's website [www.tatasteel.com](http://www.tatasteel.com).

### *Strategic activities*

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

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

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

Towards the end of the year the Group started to experience the effects of the COVID-19 pandemic on demand for its steel products. Whilst there was only a minimal impact on demand in the year ended 31 March 2020, the Group put in place a number of measures to respond to the expected effects of the economic downturn and to remain well positioned when the recovery comes. In the first quarter of the 2020/21 financial year, demand for the Group's steel products was down by about 20% due to COVID-19 with certain sectors such as automotive experiencing a sharper decline than others, such as packaging, where demand was largely unaffected. The

## A1. Group's business

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Group also received government support where available including the Coronavirus Job Retention Scheme in the UK, the Noodmaatregel Overbrugging voor Werkbehoud ('NOW scheme') in the Netherlands, and in the form of agreed deferrals to payroll taxes and VAT in both the UK and Netherlands.

On 13 November 2020, TSL announced it had entered into discussions with SSAB AB regarding the potential sale of its Tata Steel Netherlands business. This potential transaction would involve the sale of a number of the company's subsidiaries. The potential transaction is currently going through a due diligence process and no further decisions or announcements have yet to be made.

## A2. Principal risks and uncertainties

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

Risks	Mitigating factors
<b>Brexit</b>	
<p>Following the completion of appropriate approvals and the passing of required legislation in the United Kingdom and European Union, the UK left the EU on 31 January 2020 and entered a transition period which currently ends on 31 December 2020. The transition period represents a time when Tata Steel and others businesses can 'take stock' following activities to prepare for a potential 'no deal' scenario, and begin the process of preparing for the longer term.</p> <p>A key unknown at the present time is how customers will respond to the detail of any final agreement. TSUKH is committed to maintaining close dialogue with its customers and partners to ensure that all potential scenarios are planned for and opportunities identified.</p>	<p>The UK Government intends to have concluded a Free Trade Agreement (FTA) by the end of December 2020. This in itself is a demanding timeline, and until the terms of the FTA are understood, strategic planning for the future under new trade arrangements remains a challenge. There is a chance that a 'no deal' scenario could occur at end December if no FTA is agreed.</p> <p>TSUKH is well prepared for a 'no deal' event and the Group has taken mitigating steps which should avoid significant cost and disruption to it, fully documenting plans for reference and deployment as required.</p> <p>The handling and impact of tariffs remains a key issue for the UK steel industry. TSUKH's material subsidiary, TSUK is well engaged with the UK Trade Remedies Authority which will act on behalf of the UK industry in any trade remedy cases post Brexit.</p>
<b>Health, safety, environmental and other compliance matters</b>	
<p>The Group's priority at all times is the health, safety and wellbeing of staff and contractors. Available capital expenditure funding is therefore prioritised to this area. The Group has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the TSE and TSUKH Boards, Group and TSE Executive Committee to continuously improve health and safety performance, enforce compliance and to minimise the impact of the Group's operations on the environment.</p> <p>The Group's businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety, the environment and regulatory compliance in the countries in which it operates. The risk of substantial costs, liabilities and damage to reputation related to these laws and regulations are an inherent part of the Group's business.</p> <p>Improving environmental performance and its linkage to "license to operate" are at risk from increased unit costs for the EU ETS and a reduction in the free allocation of CO2 allowances (see Environment section on page 13). There is an expectation that after 2020 the allocation of CO2 allowances under EU ETS are likely to be substantially lower than projected emissions. In addition, there are specific environmental performance targets linked to financial penalties in both the UK and Netherlands.</p>	<p>The Group deploys a positive culture of managing safety, health and environmental ('SHE') risks. This includes the escalation of these risks to a TSL SHE Committee.</p> <p>A key area of focus for the Group's operations and procurement is to minimise environmental impacts by selecting raw materials on its environmental credentials (as well as quality) in order to minimise landfill tonnages and to identify external opportunities for use/sale of by-products.</p> <p>The Group continues to engage with EU legislators to secure a level playing field, for example in areas such as the REACH (Registration, Evaluation, Authorisation &amp; restriction of Chemicals) scheme and EU ETS. The disparities in legislation across steel producers in different countries reinforce the continued need to build brand reputation and customer loyalty.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<h3 data-bbox="167 253 316 280">Our workforce</h3>	
<p>During the final weeks of 2019 discussions commenced with the European Works Council (EWC) about proposals to transform the business. The TSE Executive Committee and the EWC recognise the challenges facing the company in achieving sustainable trading results. These discussions will continue in the coming period to agree a new TSE-wide organisational structure to build on the more than 100 year histories of both our integrated steel works in IJmuiden and Port Talbot, and our many locations elsewhere. There is a risk that works councils and trade union representatives resist any changes to the organisation proposed by the Group.</p>	<p>The Group remains committed to discussing any changes in the organisation with its works councils and trade union representatives in order to ensure the workforce is part of the discussions regarding organisation.</p>
<p>Maintaining a critical mass of engineers and other specialist functions remains a challenge within the Group due to the demand for these skills in the locations in which the business operates.</p>	<p>Strategic collaborations continue with Technical Universities and other relevant schools and talent programmes for graduates, functional trainees and apprentices to improve quality and retention. The long-term success and competitiveness of steel making in the EU requires the ongoing partnership with trade bodies and continuance of beneficial industrial relations in the face of future uncertainties. Strong succession planning must be implemented to ensure continuity in the management of the complex challenges facing the Group.</p>
<h3 data-bbox="167 869 268 896">Financing</h3>	
<p>The Group is financed in part through external bank facilities referred to as the senior facility agreement ('SFA'). There are no payments due under the SFA until 2024/25. The SFA facility is provided by a syndicate of international banks and provides flexibility to fund future capital expenditure schemes. Servicing of interest payments in challenging trading conditions continues to represent a risk to the business.</p>	<p>In order to effectively manage this risk, the forecast requirements of the Group continue to be closely monitored and 'downside' sensitivities are undertaken regularly to ensure the adequacy of facilities.</p>
<p>TSUKH is committed to long term financial independence and during 2019/20 a significant amount of debt to TSUKH from TSL Group companies was converted into equity. Nevertheless certain short term funding is still provided by TSL Group companies and continuing access to liquidity at a time when TSUKH is dealing with the impact of the COVID-19 pandemic is important.</p>	<p>At the start of the 2020/21 financial year discussions commenced to increase the availability of committed financing facilities in order to respond to any potential liquidity requirements arising from COVID-19 pandemic. This includes discussions with the UK government about specific support for TSUK, evaluating options under the Netherlands government backed Garantie ondernemingsfinanciering uitbraak coronavirus ('GO-C') loan scheme, and introducing a debtors securitisation arrangement for TSN. For further details see page 20.</p>
<h3 data-bbox="167 1485 338 1512">Digital resilience</h3>	
<p>The cyber environment in which the Group 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. The Group is committed to having the right cyber security standards and practices to ensure it is equipped to defend itself from cyber incidents.</p>	<p>Significant investment has been committed to combat the threats that have emerged from cyber incidents, which include continuing development of a central Security Operations Centre, and process control security projects to manage local security incidents and event detection.</p>
<p>The threat of cyber-attacks has continued as a genuine business risk due to large scale criminal activity targeting major businesses across all industries.</p>	<p>Specific focus and investment has been placed on awareness and education, protection from viruses, malicious software and external hacking, managing core network components, and contingency planning and resilience for digital business critical components.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<b>Trading in the global steel market</b>	
<p>The Group's financial performance is influenced by the global steel market and the economic climate in Europe. Tata Steel is one of a number of European steel producers which are being squeezed between rising import pressures and declining demand, with the situation being particularly acute for producers of hot rolled flat products. The surge in imports in recent years forced Tata Steel and other EU producers to pursue antidumping (AD) actions, investigation of unfair imports and imposition of trade remedy measures.</p> <p>Despite measures being in place to support EU producers, vulnerabilities remain as safeguards manage volumes and 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 average EU imports in 2015-2017, when demand was higher than today. Tata Steel 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.</p>	<p>The Group's commercial strategies aim to identify opportunities to focus on less import sensitive sectors/markets, product differentiation and a customer focus that will enable longer term contracts.</p> <p>The EU ETS and UK energy costs continue to absorb additional resources when compared to competitors not subject to the same legislation. A CO2 EU Border Tax as part of a drive to reduce CO2 emissions from what the EU produces and consumes has continued. However, the impact of Brexit on this scheme and TSUKH is currently unclear.</p> <p>More immediately, the Group will be operating in 2020/21 under very challenging trading conditions following the COVID-19 outbreak. Measures have been put in place in the first quarter of the 2020/21 financial year to mitigate the risks of a significant downturn in demand for steel products and a challenging operating landscape, such as deferral of capital expenditure, tight control of costs, maximising use of government support schemes, and reduction in production levels to match demand.</p>
<b>Long term competitiveness</b>	
<p>The Group's manufacturing facilities are largely based in Europe, which is a relatively high cost area and where demand growth for steel products is lower than in developing parts of the world.</p> <p>Increasing raw material costs and competing materials challenge the long-term competitiveness of the Group's strip products.</p> <p>In order to maintain its ability to successfully compete in the long term the Group is undertaking a number of initiatives, including cost reduction measures and business specific improvement plans.</p>	<p>The most significant of these initiatives is the TSE transformation programme, which aims to deliver operational commercial and supply chain improvements and reach sustainable levels of EBITDA. As part of the transformation programme, the Group will continue to target and grow its offering of a high value, differentiated product mix to the market.</p>
<b>Performance and operations</b>	
<p>Economic growth has recently been slowing globally due mainly to an economic slowdown in China and US protectionism. This has resulted in lower demand growth and margins for the steel industry. Industry forecasts are predicting that the EU steel market spread is likely to remain under pressure in 2020/21 following the onset of the COVID-19 pandemic.</p> <p>Whilst the Group seeks to increase differentiated/premium business which is less dependent on steel market price movements, it still retains focus in both the UK and IJmuiden on improving its operations, consistency, and taking measures to protect against unplanned interruptions and property damage.</p>	<p>Best practices in asset management, enhancing technical knowledge and skills, improving process safety, targeted capital expenditure and focused risk management remain as priorities for the business.</p>

## A2. Principal risks and uncertainties

Risks	Mitigating factors
<b>Exchange rates</b>	
<p>The Group derives most of its revenue in the EU, but has substantial assets and sales in the UK. Major raw material purchases are denominated mainly in US dollars. As a result, the Group is impacted by the relationship between sterling, the Euro and the US dollar. In general, a strengthening of sterling reduces the sterling value of export revenues from the UK, it improves the relative competitiveness of steel producers in countries with weaker currencies enabling them to discount prices in the UK market, and it exposes customers to similar pressures leading to a reduction in demand for steel in the UK. In contrast, a strengthening of sterling reduces the sterling cost of the Group's raw materials, which are purchased predominantly in US dollars.</p>	<p>The Group operates a hedging policy to minimise the volatility of rapid and significant movements in these exchange rates. The Group is also actively diversifying its geographic customer base which helps mitigate dependence on particular currency zones.</p>
<b>Raw materials and energy</b>	
<p>The Group has limited access to captive iron ore and coal supplies, therefore access to and pricing of raw materials supplies depend, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap.</p> <p>Exposure to raw material shortages has not been a high risk historically, though is going to need to be managed effectively for a period of time following the impact of the COVID-19 pandemic. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of the vessels if they come from a high risk countries, or disruptions and restrictions in country of origin of raw materials.</p>	<p>Within the TSE Group 's transformation programme, opportunities are being sought, with suppliers, to get more value out of contracts by strengthening partnerships, negotiating better payment terms and leveraging the buying power of TSL to lower costs of consumables. Opportunities have also been explored in the supply chain, for example by reducing inbound freight costs.</p> <p>Exposure to energy shortages and price increases are mitigated by the implementation of self-generation of electricity and by initiatives to improve the Group's energy efficiency, which continue to make significant progress. For further details see Energy and carbon emissions overview (page 14).</p>

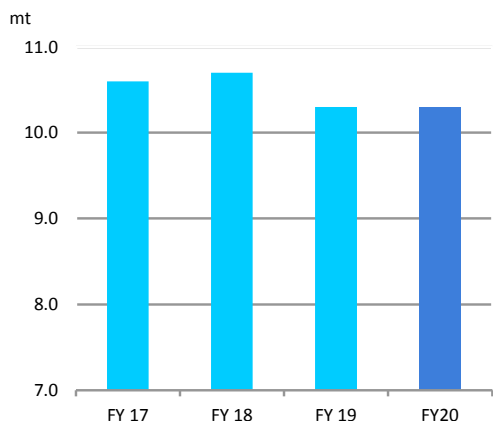


## A3. Key Performance Indicators (KPIs)

KPI	Rationale	Comments																				
<p><b>Safety:</b></p> <table border="1"> <caption>Safety KPI Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>LTIF</th> <th>Recordables</th> </tr> </thead> <tbody> <tr> <td>FY17</td> <td>1.6</td> <td>4.8</td> </tr> <tr> <td>FY18</td> <td>1.45</td> <td>4.2</td> </tr> <tr> <td>FY19</td> <td>1.6</td> <td>4.8</td> </tr> <tr> <td>FY20</td> <td>1.71</td> <td>4.56</td> </tr> </tbody> </table>	Fiscal Year	LTIF	Recordables	FY17	1.6	4.8	FY18	1.45	4.2	FY19	1.6	4.8	FY20	1.71	4.56	<ul style="list-style-type: none"> <li>This shows the lost time injury frequency rate ('LTIF') from continuing operations to provide a basis of comparison with industry peers. The frequency rate (as with 'recordables') is reported per million hours worked as a rolling twelve-month average.</li> <li>Recordables are defined as all work related incidents resulting in harm to a person or persons excluding those that require no more than first aid treatment.</li> </ul>	<ul style="list-style-type: none"> <li>LTIF was 1.71 in 2019/20, which compares to 1.45 in 2018/19.</li> <li>The recordables rate, which includes lost time injuries, decreased from 4.92 in 2018/19 to 4.56 in 2019/20.</li> <li>In response to the increased LTIF rate a new health and safety Transformation plan has been implemented. The plan covers a number of new and ongoing initiatives including the five key health and safety commitments for all employees, which has been rolled out to challenge mindsets and behaviours.</li> </ul>					
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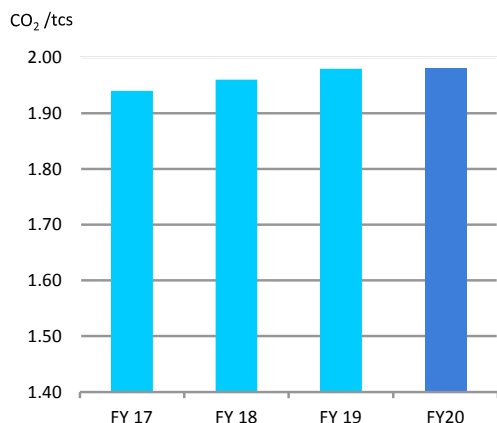
### A3. Key Performance Indicators (KPIs)

#### Volume Performance:



- Liquid steel production from operations. This reflects the level of physical activity and is a key indicator of the manufacturing performance of upstream assets.
- It is also a measure by which the steel industry compares the size of companies on a global scale.
- 10.3mt in 2019/20 (2018/19: 10.3mt). The prior year was affected by an outage in Port Talbot to extend the life of Blast Furnace 5, whilst the current year includes reductions in production to align to market demand.
- During the year 6.8mt of liquid steel was produced at IJmuiden (2018/19: 7.1mt) and 3.5mt at Port Talbot (2018/19: 3.2mt).

#### Environment:



- The Group measures its CO<sub>2</sub> emissions per tonne of crude steel produced through the integrated steelmaking route, using the method of worldsteel which includes direct and indirect emissions and enables detailed performance benchmarking.
- This method of calculation is different to the method used by the UK's Streamlined Energy & Carbon Reporting system and which is presented, in accordance with UK legislation, on page 14.
- Emissions were 1.98 in 2019/20 aligned with the previous year. Whilst this performance was not optimal owing to various operational issues and changes in the mix of raw materials in to the process, it was still significantly lower than the world average of 2.33 CO<sub>2</sub>/tcs for ore-based integrated steelworks reporting to worldsteel.

## A4. Business Review

### Business environment and prospects

#### *Dynamics of the business*

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

#### *Economic climate*

Global GDP growth decelerated in 2019 to 2.6% (2018: 3.2%). Growth was negatively impacted by the slowing Chinese economy and US protectionism which impacted global trade. The eurozone economy grew by 1.2% (2018: 1.9%) and the UK by 1.4% (2018: 1.3%). GDP growth in China continued its gradual slowdown in 2019 to 6.1% (2018: 6.7%). Consumption is gradually becoming a more important economic growth driver as China is slowly losing its cost advantage.

#### *Global steel market*

Global steel demand growth in 2019 decelerated to 3.4% (2018: 4.6%). Demand for steel in China increased by 8.0% (2018: 8.5%) whereas steel demand in the EU declined -5.6% (2018: increased 2.4%). Output growth in the steel-using sectors in the EU declined in 2019 especially in the automotive sector. Output of passenger cars was negatively impacted by the introduction of new emission testing procedures and a slowdown in demand both inside and outside the EU. Construction output remained relatively stable due to more local-based demand.

In 2019 global steel production decelerated to 3.0% (2018: 4.7%). Steel production in China increased by 7.7% (2018: 6.4%) and equated to 54% of global steel production. In the EU production reduced by -5.3% due to low demand and margins (2018: reduced -0.5%).

In 2019 the EU was a net importer of steel at 12.7Mt (imports: 34.7mt, exports: 22.0mt). Exports from China to the rest of world decreased again in 2019 to 63.8Mt (2018: 68.8Mt, 2017: 74.8Mt).

#### *Raw materials*

The principal raw materials used in TSUKH's carbon steelmaking processes are iron ore, metallurgical coal and

steel scrap. The market reference price of iron ore fines (China CFR 62%) increased in 2019/20 to US\$95/t (+\$24/t). The price increased due to strong demand from China and reduced seaborne supply as a result of Vale's Brumadinho dam disaster in Brazil and cyclones in Australia. The hard coking coal spot price (Australia FOB) decreased to US\$165/t (-\$36/t) as demand ex-China was weak and China put in place coal import restrictions. The German benchmark E3 scrap price decreased to €221/t (-€40/t) compared to the previous year.

The price of CO<sub>2</sub> increased to €25/t (+€6/t) in 2019/20, reaching an all-time high in July 2019 at €28/t. Reforms of the EU Emissions Trading System have reduced the supply of permits causing prices to rise.

The European steel spot Hot Rolled Coil price (Germany, parity point) weakened considerably in 2019/20 to €469/t (a decrease of €82/t) which resulted in lower margins in Europe.

#### *Trade*

Changing trade flows in the global steel market have caused an increase in the amount of anti-dumping measures. Amongst others the US and EU have issued duties for a broad range of products. In 2018 the US government imposed a 25% tariff on steel imports as part of its "Section 232" ruling. In response, and to counter trade diversions resulting from the US measures, the EU imposed a 25% tariff on steel imports once a quota had been filled.

In 2019 imports into the EU declined to 34.7Mt (2018: 39.2Mt) as low margins made it less profitable for exporters to sell material into the EU. In 2019 the market share of imports in the EU declined to 15.2% (2018: 17.0%).

#### *Prospects for 2020*

Before the onset of the COVID-19 pandemic, the World Steel Association predicted that EU steel demand in 2020 was expected to recover slightly by 1.2% and that margins were expected to increase in the EU as demand recovers and supply is reduced. However, considering the effects of the COVID-19 pandemic, the World Steel Association now predicts that EU steel demand will contract by 15.8% in 2020 before recovering by 10.4% in 2021.

#### *Civil society advocacy*

The Group continuously engages with governments at various levels and other civil society stakeholders, such as non-governmental organisations, to inform the elements of public policy and regulation relevant to its business. Its objective is to help create the right conditions for a sustainable steel

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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. The Group continues to engage civil society stakeholders on competitiveness issues, including energy prices and business property taxation. Engagement also plays an essential role in keeping stakeholders informed of key developments in the business such as the Transformation programme.

Climate change and decarbonisation has become an increasingly important area of engagement with civil society stakeholders at both UK and EU levels. The publication of the EU's "Green Deal" and adoption of net zero emissions targets by national governments, including the UK, has focused attention on the need for the steel industry to reduce its CO<sub>2</sub> emissions. Engagement has centred on ensuring national governments do not prefer one breakthrough technology at the expense of others and ensuring the business secures the right policy environment for industrial decarbonisation.

Following the UK's withdrawal from the European Union (EU) on 31 January 2020 – albeit to a transitory state until the end of 2020 – Tata Steel is closely monitoring the UK's future trading relationships, especially with the EU. The business is engaging with various political stakeholders to communicate the opportunities and challenges that various trade agreement proposals and options may present, and to provide input on future policies such as UK trade defence measures. The risk of the UK and EU not reaching agreement on a future trading relationship by 31 December 2020 continues to set an uncertain trading environment and, therefore, remains a major focus of TSUKH's advocacy agenda. The business continues to fight for a level playing field against unfairly priced steel imports 'dumped' into Europe, including the continued threat of US tariffs on steel imports.

### Employees

#### *Health and safety*

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

Despite this there were two tragic fatal events in the year at Port Talbot. The first, at Eglwys Nynydd Reservoir on 5 September 2019, where a contractor died whilst undertaking works at the reservoir. The second, at the Hot Strip Mill on 25 September 2019, where a contractor had been undertaking maintenance work on the coil conveyor also died.

There were nine high potential Loss of Containment events across the Group including an incident on Port Talbot internal rail network on 26 April 2019 when, during transit from the Blast Furnaces to the BOS Plant, Torpedo 44 derailed causing a large loss of containment of molten iron. There was a reaction with water on the ground resulting in a number of local fires and extensive damage to two nearby buildings.

The combined lost time injury frequency (LTIF) rate in 2019/20 for employees and contractors deteriorated to 1.71 compared to 1.45 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, improved from 4.92 in 2018/19 to 4.56 in 2019/20.

In response to this performance a number of measures have been taken. As well as the continued investment in health and safety capital schemes across the Group, a health and safety Transformation plan was agreed with the senior leadership team. The plan covers a number of new and ongoing initiatives including the five key health and safety commitments for all employees, which has been rolled out to challenge mindsets and behaviours, and the Leading Safety Excellence programme for all Business Senior Managers. Other initiatives undertaken during the year include a move to a more digital approach to support site health and safety teams and the development of management systems in line with ISO 45001 to improve the maturity of the current management system. All of these will continue into 2020/21.

In the later part of the year the Group responded with pace to the COVID-19 pandemic with a coordinated and agile approach in order to protect the health and wellbeing of all employees and stakeholders. This resulted in those who could work from home doing so, supported by the appropriate tools, systems, policies and guidelines in line with national requirements. The manufacturing processes continued to operate with new social distances practices and solutions deployed, underpinned by management of change and daily communication from leaders at all levels across the Group.

#### *Employee numbers*

At 31 March 2020 the number of employees in the Group decreased to 20,400 compared to 21,400 at 31 March 2019.

During the year TSUKH subsidiaries completed the divestments of Cogent Power Inc and its Firsteel business which included 371 and 52 employees on the dates of their respective disposals. The remainder of the reduction in headcount was due to the closure of the Orb Electrical Steels

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and Wolverhampton Metal Centre businesses as well as some initial headcount reductions aligned with the transformation programme

### *Employment policies*

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

TSUKH, as part of a trans-national, multi-cultural group, is committed to providing an environment that recognises and values the differences in employee backgrounds and skills and to provide equality of opportunity for all Group employees regardless of gender, sexual orientation, part-time or fixed term status, parental responsibilities, marital status, race, disability, colour, national or ethnic and seeks to maximise the benefits available from a diverse workforce.

During the year ended 31 March 2020 there was regular engagement with employee representatives of our European Works Council and across the organisation initially regarding the potential joint venture with thyssenkrupp and subsequently on the proposed transformation programme. This dialogue will continue into the year ahead.

UK Steel Enterprise Limited ('UKSE') is the Company's subsidiary that helps the economic regeneration of communities affected by changes in the UK steel industry and it has delivered packages of support measures to a variety of businesses across all steel areas of the UK to help them 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. The Company's subsidiary, TSUK first published results in 2018 and again this year has published its results on the UK

Government website and also included the full gender pay report on the company's external internet site.

Relative to national and industry statistics TSUK's gender pay gap (0.31% mean gender pay gap and 3.78% median gender pay gap) continues to be at the lower end. The company continues to focus on steps to further enhance the diversity in its organisation because it believes having the right people in the right job is important.

### *Pension arrangements*

The principal defined benefit pension scheme in the UK at 31 March 2020 is the British Steel Pension Scheme ('BSPS') in the UK which is closed to future accrual. This came into existence on 28 March 2018 as part of the regulated apportionment arrangement ('RAA') agreed between TSL, the Trustee of the old BSPS, the UK Pensions Regulator and the Pension Protection Fund ('PPF'). Pension arrangements for employees in the UK are now provided by way of a defined contribution scheme.

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

Further details on these schemes are provided in Note 20.

### *Modern Slavery Act*

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

### *Community Engagement*

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

In the Netherlands, this includes the traditional annual Tata Steel Chess Tournament (established in 1937), which attracts thousands of players and spectators and boosts local tourism during off-season in January.

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

### Environment

#### *Policy & goals*

Tata Steel has set out its mission to be the leading steel company in Europe which is sustainable in every sense. Respect for the environment is a key part of achieving this. The Group is committed to minimising the environmental impact of its operations through the systematic implementation of environmental control and through continuous improvement in environmental performance. All the Group's manufacturing operations are independently certified as meeting the international environmental management system standard, ISO 14001:2015. Furthermore, almost all the Group's products manufactured in the Netherlands and the UK are independently certified as meeting the requirements of the sustainable sourcing standard, BES6001.

Climate change is one of the most important issues facing the world today. The Group recognises the steel industry is a significant contributor to man-made greenhouse gas emissions and is committed to making a positive contribution to global decarbonisation. TSUKH has stated its goal to become a carbon-neutral steelmaker by 2050. Yet, industry cannot do this alone. This is an effort that concerns the whole of society and the steel industry needs a positive industrial climate to be able to make the large investments required to become carbon-neutral.

Decarbonisation of the Group's operations is only a part of the positive contribution TSUKH is making, as the Group's products are also part of the solution to climate change. Steel has inherent environmental advantages: it is durable, adaptable, reusable and recyclable and, as such, a material which is unequalled in its ability to contribute to the developing circular economy. It is used, for example, in lighter, stronger and safer transport systems, and in affordable and energy-efficient modular homes. CO<sub>2</sub> emissions in steel production can be offset by reductions in direct and indirect emissions through the life-cycle of steel products, achieved through effective product development and design, and through recycling at end-of-life. The Group has developed a tool to

assess the sustainability of all new products against the products they replace, in a semi-quantitative manner. The tool is helpful in identifying the sustainability benefits of new products and the output is being used as part of the Group's value proposition development to customers. Tata Steel received recognition for this tool from worldsteel (World Steel Association) with a 'Steelie' award for excellence in life cycle assessment in October 2019.

#### *Energy efficiency and CO<sub>2</sub> emissions*

In the Netherlands, the Group is participating in a voluntary agreement ('MEE Covenant') with the Dutch government regarding energy efficiency improvements over the period 2017 to 2020 (with the previous agreements extending from 2009 to 2012 and 2013 to 2016 inclusive). The primary requirement of the agreement is an energy efficiency improvement of 2% per annum, covering both energy used within the manufacturing process and energy saved across the product life-cycle. The total energy efficiency improvement in 2019 was 3.8% (2018: 6%), comprising 1.3% process efficiency improvement and 2.5% from the product life-cycle.

In the UK, as a result of being in a Climate Change Agreement ('CCA'), the Group has continued to benefit from reduced rates in relation to the Climate Change Levy ('CCL'). This CCA originally included a specific energy reduction target of 7% by 2020 (compared to 2008). However, a 'target stringency rule' in the scheme was triggered, with the need to vary the agreement and revise the baseline, as a result of the divestment of the Speciality Steels business in 2017. This assessment led to a tightening of the original final (fourth) milestone period (by 2020 compared to 2008) to 15.5% specific energy reduction. In April 2014, the UK Government introduced an exemption from CCL for certain metallurgical and mineralogical processes. As a result, the Group's exposure to CCL reduced significantly from 2014/15 onwards, albeit that it remains in the CCA. With respect to its performance against CCA targets, there was an energy reduction across the participating facilities in the CCA of 9.5% in the third milestone period (2017 and 2018 inclusive) compared to a target of 5.8%. This over-achievement, together with over-achievement in the first and second target periods, will be used to support achievement of the fourth (2019 and 2020 inclusive) milestone period target. In March 2020, the UK Government announced it would extend the CCA for a further two years.

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In December 2019, TSUK self-declared compliance with the Energy Saving Opportunity Scheme, the UK Government's approach to implementing Article 8 of the EU Energy Efficiency Directive. To comply with this mandatory requirement, organisations must conduct an ESOS assessment every four years. This entails auditing at least 90% of the organisation's total energy consumption (TEC) and identifying practicable ways to improve energy efficiency, with estimated costs and benefits. Most of the ESOS energy audit requirements were fulfilled by internal continuous improvement work (described below) already carried out during the time period stipulated by ESOS Phase 2, supplemented by a small amount of additional energy auditing at Port Talbot.

### *EU Emissions Trading System*

The Group met its environmental obligations in Phase 1 (2005 to 2007) and Phase 2 (2008 to 2012) of the EU ETS and expects to do the same in Phase 3 (2013 to 2020). The Group was in surplus over Phase 2, primarily as a result of generally lower production levels since October 2008. During 2019, the Group emitted more CO<sub>2</sub> than the EU emissions allowances (EUAs) granted to it in aggregate for the year, but the financial effect of this was mitigated by the carry-over of a small surplus of EUAs from previous years and by implementation of a (carbon price) risk management policy, under which EUAs are secured throughout the year, as and when deficits arise. The EUA price exceeded €25 per tonne of CO<sub>2</sub> for much of the year but fell to €18 per tonne on 31 March 2020 (31 March 2019: €22 per tonne) in response to uncertainties over the global economy, linked to the COVID-19 pandemic.

### *Environmental complaints*

Direct neighbours, particularly of the large steelmaking sites at IJmuiden in the Netherlands and Port Talbot in the UK, seek the highest standards from the Group. A structural dialogue has been entered into with the people near those production sites. In the case of the IJmuiden site, legitimate concerns of local residents, including those over deposition of small particles of graphite, have been responded to with the development of an integrated roadmap covering the period up to 2030, as well as by implementing shorter term solutions to address the most immediate concerns, including investment in an enclosure to cover the processing of desulphurisation slag to encapsulate graphite emissions.

## Energy and carbon emissions reporting

### *Overview*

In April 2019, the UK Government introduced legislation called Streamlined Energy and Carbon Reporting (SECR), which mandates that defined companies include energy and carbon emissions in their annual reports. In addition, a narrative on the principal measures taken for the purpose of increasing the business's energy efficiency is required. Both parts of the required information are provided below and, for the purposes of comparison and consistency, equivalent information to that required for SECR compliance in the UK has also been provided for the integrated steelworks at IJmuiden in The Netherlands. It should be noted the apparent disparity in the total energy use and emissions, per tonne liquid steel, between the two sites is heavily influenced by the export of a large part of the works arising fuel gases at IJmuiden to an external power generation company and the consequent exclusion of this element from the energy and emissions totals. In Port Talbot this power generation occurs within the site boundary and the energy consumption and associated emissions of the works arising gases are thus included in the site totals.

Most of the carbon emissions associated with the manufacture of the Group's products occur at integrated steelworks, where iron ore and coal are brought together in the blast furnace process. These are already very efficient works and, although the opportunities for standard energy efficiency measures are becoming progressively smaller, the Group continues to pursue further improvements in a systematic manner.

Over the reporting period, several improvement schemes were implemented, predominantly at the two integrated sites, giving a total estimated energy saving of 324,000 MWh. At Port Talbot, these included several projects to optimize steam generation efficiency and to improve the rate of collection of calorific gas arising at the Basic Oxygen Steelmaking plant. Work was also ongoing at Port Talbot during the year on the second phase of a power plant enhancement scheme, designed to increase on-site electricity generation capacity by circa 4.5 MW. As a result of this, and significant operational improvements made by the power plant team over the period, record levels of power generation were achieved, from combusting the fuel gases arising as by-products in the iron and steelmaking processes. At IJmuiden, schemes included reducing heat losses from steelmaking transfer ladles, a replacement hot blast stove and top gas recovery turbine

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rotor, high efficiency replacement lighting and motors, a larger coke oven gas holder to reduce gas flare and an in-house, cutting-edge control system on the hot-dipped galvanising line.

### GHG emissions and energy use 2019/20

	Scope <sup>1</sup>	Units	UK <sup>2</sup>	Netherlands <sup>2</sup>
Gaseous fuel for combustion <sup>3</sup>	1	kWh	9,669,550,521	10,777,273,056
Fuel for transport and business travel <sup>4</sup>	1	kWh	23,574,760	40,336,277
Purchased electricity <sup>3</sup>	2	kWh	769,424,393	1,849,676,963
Fuel for transport and business travel	3	kWh	40,440,882	79,278,338
<b>Energy consumption based on above</b>		<b>kWh</b>	<b>10,502,990,556</b>	<b>12,746,564,634</b>

Emissions from gaseous fuel <sup>3</sup>	1	tCO <sub>2</sub> e	5,662,973	4,871,225
Emissions from fuel for transport and business travel <sup>4</sup>	1	tCO <sub>2</sub> e	6,306	10,719
Emissions from purchased electricity <sup>3</sup>	2	tCO <sub>2</sub> e	195,111	791,733
Emissions from fuel for transport and business travel	3	tCO <sub>2</sub> e	11,199	21,842
<b>Total gross emissions</b>		<b>tCO<sub>2</sub>e</b>	<b>5,875,589</b>	<b>5,695,519</b>

<b>Total gross emission per tonne of liquid steel</b>		<b>tCO<sub>2</sub>e/tls</b>	<b>1.688</b>	<b>0.840</b>
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#### Notes

1. The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

2. UK assets covered within the scope of this report are those within Tata Steel UK Limited ('TSUK') and the exemption to exclude legal subsidiaries that did not meet the definition of "large" was applied. Netherlands assets cover Tata IJmuiden B.V ('TSIJ') only, which represents the vast majority of the total consumption. The reporting methodology was based on the Green House Gas Protocol Corporate Reporting Standard and the EU Emission Trading System (EU ETS); where available, site specific conversion factors were used and if not, national government factors were used. The financial control approach (as opposed to equity split) was used to define the organisational boundaries; deductions were made for onward 3rd party supplies. Greenhouse gas emissions are reported as CO<sub>2</sub>e but only include CO<sub>2</sub> emissions.

3. Only imported electricity reported (electricity generated on-site is not included but the associated emissions are included in the gaseous fuel emissions). The energy combusted by, and emissions from, off-site power generation plant using works arising gases exported from the site, are excluded from the TSIJ figures. The respective grid emission factors taken for the UK and The Netherlands were 0.2538 kg and 0.428 CO<sub>2</sub>/kWh respectively.

4. Fuel for transport & business travel are allocated to either scope 1 or 3 depending on whether the associated means of transport was company-owned/leased (on-balance sheet) or not, respectively. Scope 1 is dominated by on-site vehicular activities, scope 3 by time-chartered vessels.

5. Part of the data has been subject to 3rd party verification conforming to EU ETS rules and regulations. This covers the period April-December 2019 only and includes 99.4% of the TSUK natural gas consumption, 100% of TSIJ natural gas consumption and 100% of the consumption of works arising gases at Port Talbot.



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### *Long-term decarbonisation of operating assets*

The UK and the Netherlands have set clear climate targets, in line with the signing of the Paris Accord. The UK has legislated to achieve net zero emissions by 2050 and the Netherlands has set a target to reduce greenhouse gas emissions by 49% (compared to 1990) by 2030 and 95% (compared to 1990) by 2050.

TSUKH's subsidiary, TSUK, has set out its ambition to be carbon neutral by 2050 and has made substantial progress in embedding a climate perspective into its business operations and decision-making to ensure its goal will be realised. The Group continues to build a comprehensive strategy and engage in a wide range of collaborations with external partners developing the feasibility of technologies from carbon capture, use and storage ('CCUS') to hydrogen-based steelmaking, from the use of more scrap in the steelmaking process to innovative new smelting technologies. Some examples are set out below:

#### *Hlsarna*

The Group continues to work on a major long-term project to develop Hlsarna, a new smelting reduction technology for which it owns the intellectual property rights, to produce steel without the need for coke making or agglomeration processes, thereby improving efficiency, reducing energy consumption and reducing CO<sub>2</sub> emissions. The pilot plant is located at IJmuiden.

#### *South Wales Industrial Cluster*

TSUKH's subsidiary, TSUK, is a leading player in the South Wales Industrial Decarbonisation Cluster, a network to make industries work together to develop shared decarbonisation infrastructure and to find mutual industrial benefits. Linked to this, the Reduced Industrial Carbon Emissions ('RICE') initiative is a £9.2 million partnership in South Wales supported by the Group. It seeks to draw on world-class expertise in order to reduce CO<sub>2</sub> emissions from large and heavy equipment and facilities for a stronger and greener economy. Backed by £5.9m worth of EU funding, RICE is working with local supply chain companies to test how CO<sub>2</sub> produced from heavy industrial processes can be used to make high value products and chemicals, using a range of carbon capture and utilisation ('CCU') techniques. The technologies being explored include the production of green hydrogen, which can be used to fuel cars, other modes of transport, and energy production processes.

#### *H2ermes*

Tata Steel, Nouryon and Port of Amsterdam have started a feasibility study (H2ermes) on building a 100 MW green hydrogen plant at the Tata Steel site in IJmuiden. This hydrogen plant will be an important first step for the parties involved. The availability of green hydrogen will also have advantages for the entire Amsterdam metropolitan region as the Group would not be the only party to benefit from this new resource.

#### *Feasibility of Carbon Capture, Use & Storage (CCUS)*

Tata Steel is a partner in a new project for the construction of a basic capture and transport infrastructure in the North Sea Canal area which will enable the utilisation or storage of CO<sub>2</sub> under the North Sea. The project is a joint initiative between Gasunie, EBN, Tata Steel and The Port of Amsterdam. The Group also has plans to split blast furnace gas and use the carbon monoxide from the process in order to convert it into raw materials for the chemical industry. The joint expertise of its partner companies offers a unique opportunity to realise a CCUS infrastructure: Tata Steel will capture CO<sub>2</sub> and be one of the providers storing its emissions. Gasunie has experience in building infrastructure and transport, EBN has knowledge of geology & storage, and the Port of Amsterdam will provide overall coordination with other companies in the area.

#### *Disclosure to CDP*

CDP runs the world's leading environmental disclosure platform. In 2019, more than 8,400 companies disclosed environmental data through CDP at the request of 125 major purchasing organisations with US\$3.6 trillion in purchasing spend, and 525 investors with US\$96 trillion in assets, making it the gold standard in corporate environmental reporting.

Tata Steel annually submits data on climate risks and low carbon opportunities to CDP. This includes short-term targets for CO<sub>2</sub> emission intensity; for example the Group's aim is that it's combined European steelmaking operations emit less than or equal to the average of the best 15% of sites (on a production volume basis) reporting to worldsteel. Tata Steel has been identified as a global leader for engaging with its suppliers on climate change, being awarded a position on the Supplier Engagement Leaderboard and being among the top 3% of organisations assessed.

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### Research & development

#### *Research & Technology programme*

Approximately 78% of the Tata Steel technology programme was developed under the governance of the Global Expert Committees ('GECs') of Tata Steel in the year, which cover process development and product market sector developments. The remaining capacity was primarily allocated to the Strategic Thrust programme for various projects including:

- Hlsarna technology: environmentally friendly, low CO<sub>2</sub> (at least 20% reduction without Carbon Capture and Storage (CCS), up to 80%, or even negative, alongside renewable carbon sources) and economic ironmaking. The pilot plant has been transferred to production and studies on this plant to further understand the process and to design the next generations are ongoing. Engineering for upscaling (a 1 million tonnes demo plant) has commenced and will continue in FY21;
- Graphene based value added products focused on the development of high value niche products that need both corrosion protection as well as electrical conductivity. Graphene on nickel plated steel has become part of normal new product developments and upscaling is being investigated;
- Physical vapour deposition, a cold zinc coating technology allowing an extension of TSUKH's zinc coated product range towards the future UHSS automotive grades well above 1000 MPa;
- Laser texturing of strip surfaces to create unique roughness profiles combine both formability and paint appearance;
- Ultra-flexible annealing of tubes allows multiple end product specifications to be produced from a limited number of chemistries, whilst improving the properties of the end product. The market has been chosen and the project has moved to the GEC automotive. R&D is assisting Tubes in the design of the first production installation;
- Use of advanced analytics to introduce fundamental changes in manufacturing and all TSUKH business processes like sales and marketing;
- Collaborating with various selected universities (DENS programme) to accelerate the development of new products in combination with a fully developed small scale route (300g and 25kg) to perform small experiments to feed models that work on an operational scale (300 tonne); and
- Various developments on the blast furnace process including modelling and experimental testing of ceramic materials to prolong the operating times for blast furnaces beyond current limits.

- In addition there was additional focus this year on Direct Business support where R&D effort can deliver quick wins for the Group. Examples are burner tests for the galvanising lines, strip steering in Zodiac, improving performance of the IJmuiden HSM, and improvements in the undesired bending of furnace rolls.

#### *Process development*

The process technology programme in 2019/20 was focused on lean and robust manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports the Group's manufacturing and differentiated product strategy. Key achievements during 2019/20 were:

- A new Rapid Alloy Development Route (RADaR) was opened, consisting of several experimental setups using 300g samples to enable rapid development of new alloys, starting with casting and ending with a tensile test;
- Implementation of advanced cooling paths during rolling of high carbon steels using STORM-lite; and
- Implementation of several improvements in the DSP process route, e.g. a novel approach to improving the lifetime of the Submerged Entry Nozzle, and the detection of so-called stickers at the start of a cast.

#### *Product market sector developments*

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

During 2019/20 a total of 21 (2018/19: 22) new products were introduced into the Group's product portfolio. These included:

- VALAST range of abrasion resistant steel grades for the engineering sector;
- MagiZinc full finish for the automotive market; and
- Cr6+ free TCCT as replacement for ECCS and CFPA products for the packaging market.

#### *Post balance sheet events*

On 19 June 2020, parent company, Tata Steel Europe Limited entered into a new £200m short term loan facility with an external bank. On the same date the full amount of the facility was drawn as a loan with duration of 180 days. Tata Steel Europe Limited lent the proceeds of the loan to TSUK which used the proceeds to repay an external loan of the same amount.

During June 2020, subsidiary company TSUK sold 6,450kt of the CO<sub>2</sub> emission rights that it had been freely allocated as

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part of its 2020 allocation under the EU Emissions Trading Scheme ('EU ETS') for total proceeds of £135m.

During August 2020, an invoice securitisation programme for TSN was implemented.

On 13 November 2020, Tata Steel announced that it had initiated the process to separate Tata Steel Netherlands and Tata Steel UK and will pursue separate strategic paths for the Netherlands and UK business in the future. On the same date, TSL also announced it had entered into discussions with SSAB AB regarding the potential sale of its Tata Steel Netherlands business. This potential transaction would involve the sale of a number of the company's subsidiaries. The potential transaction is currently going through a due diligence process and no further decisions or announcements have yet to be made.

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£m	2019/20			2018/19		
	Before exceptional items	Exceptional items (Note 2)	After exceptional items	Before exceptional items	Exceptional Items (Note 2)	After exceptional items
Liquid steel production (mt)	10.3	-	10.3	10.3	-	10.3
Steel deliveries (mt)	9.3	-	9.3	9.6	-	9.6
<b>Revenue</b>	<b>6,202</b>	<b>-</b>	<b>6,202</b>	<b>7,070</b>	<b>-</b>	<b>7,070</b>
<b>EBITDA</b>	<b>(55)</b>	<b>8</b>	<b>(47)</b>	<b>277</b>	<b>(9)</b>	<b>268</b>
Depreciation and amortisation (net of grants)	(270)	-	(270)	(221)	-	(221)
<b>Operating (loss)/profit before restructuring, impairment and disposals from continuing operations</b>	<b>(325)</b>	<b>8</b>	<b>(317)</b>	<b>56</b>	<b>(9)</b>	<b>47</b>
Restructuring, impairment and disposals	(299)	-	(299)	(2)	-	(2)
<b>Operating (loss)/profit</b>	<b>(624)</b>	<b>8</b>	<b>(616)</b>	<b>54</b>	<b>(9)</b>	<b>45</b>
Net finance costs	(221)	-	(221)	(484)	-	(484)
Share of post-tax results of joint ventures and associates	3	-	3	2	-	2
<b>(Loss)/profit before taxation</b>	<b>(842)</b>	<b>8</b>	<b>(834)</b>	<b>(428)</b>	<b>(9)</b>	<b>(437)</b>
Taxation credit/(charge)	174	-	174	(35)	-	(35)
<b>(Loss)/profit after taxation</b>	<b>(668)</b>	<b>8</b>	<b>(660)</b>	<b>(463)</b>	<b>(9)</b>	<b>(472)</b>

### Profit and loss

Group revenue of £6,202m in 2019/20 was 12% lower than the previous year due to a 9% decrease in average revenue per tonne and a 3% reduction in deliveries both due to lower steel demand in Europe.

The operating result before restructuring, impairment and disposals from continuing operations in 2019/20 was a loss of £(317)m but included an exceptional credit of £8m (2018/19: £9m) in respect of provision adjustments for potential customer claims £11m and (£3m) charge for costs associated with the BSPS pension restructuring. Excluding these exceptional items the operating result before restructuring, impairment and disposals from continuing operations in 2019/20 was a loss of £(325)m, £381m lower than the previous year primarily due to significantly reduced steel margins caused by lower demand in Europe.

Restructuring, impairment and disposals was a charge of £299m in 2019/20, £297m higher than 2018/19 due to an impairment charge of £275m reflecting a deteriorating economic outlook as a result of the COVID-19 pandemic which led to a write down of assets mainly in the UK. In addition there was a £46m charge for restructuring costs and a credit of £22m for disposals.

Net finance costs in 2019/20 of £221m were £263m lower than the previous year due mainly due to a credit of £130m arising from the refinancing of the SFA and lower amounts of interest

due to group companies following the conversion to equity of debt within the year.

Taxation from continuing operations was a net credit of £174m in 2019/20, This was mainly due to a UK deferred tax credit of £127m (2018/19: deferred tax charge of £10m) recognised in the income statement to offset a net deferred tax charge in other comprehensive income relating mainly to BSPS actuarial gains. In addition a reduction of £68m to overseas deferred tax was mainly due to an increase in deferred tax assets in respect of tax losses recognised in the Netherlands following the conversion of debt to equity leading to lower interest costs in future years.

The loss after tax before exceptional items from continuing operations in 2019/20 was £(668m), £205m worse than 2018/19 mainly to the lower operating result, which included £299m of restructuring, impairments and disposals, offset by lower finance charges and lower taxation.

The Group result after taxation and exceptional items in 2019/20 was a loss of £(660m) (2018/19: £472m) with £(659)m (2018/19: £344m) attributable to the owners of the company and £(1m) (2018/19: £128m) attributable to the non-controlling interest in TSUK.

### Financing

The majority of the external borrowings of the Group are accounted for by the SFA. On 4 February 2020 the Group successfully completed a refinancing of the SFA on more

## A5. Financial Review

flexible terms and better pricing. The refinancing has not only reduced the interest cost for TSUKH but also significantly improved the maturity profile, with the first repayment of the €1.75bn debt not due till 2024/25.

The SFA is secured by the shares of TSNH and the assets and shares of TSUK. It contains a financial covenant which sets an annual maximum capital expenditure level at the TSNH level. It also contains cash flow to debt service and debt to tangible net worth covenants which are calculated at the TSL level. The SFA comprises a five year bullet term loan of €410m and a six year bullet term loan of €1,340m.

The refinancing of the SFA was accompanied by a €146m equity injection from T S Global Holdings ('TSGH') received into TSUKH via intermediary holding companies. The proceeds of which were used to prepay part of the previous SFA. In addition, the scheduled payment of €370m on the previous SFA in October 2019 was financed by a separate equity injection from TSGH received into TSUKH via intermediary holding companies at that time.

On 18 March 2020 TSN signed a three year €150m revolving credit facility under which it is the sole borrower.

On 24 March 2020, TSUK entered into a new trade receivables securitisation arrangement. Under the uncommitted arrangement, an external bank has agreed to purchase all eligible receivables from TSUK up to a programme maximum amount of £300m on a non-recourse basis. This facility replaced the receivables securitisation programme previously provided to TSUK by Proco Issuer Pte Ltd (for further details see page 81).

On 24 December 2019 TSUK entered into a new short term loan agreement with an external bank for £200m.

On 19 June 2020 Tata Steel Europe Limited entered into a new short term loan facility with an external bank. On the same date the full amount of the facility was drawn as a loan with duration of 180 days which is expected to be subsequently renewed at maturity. For further details please see Post balance sheet events (page 17).

At the start of the 2020/21 financial year TSUKH commenced discussions to increase the availability of committed financing facilities in order to respond to any potential liquidity requirements arising from the COVID-19 pandemic. This includes discussions with the UK government about specific support for TSUK, evaluating options under the Netherlands government backed Garantie ondernemingsfinanciering

uitbraak coronavirus ('GO-C') loan scheme, and introducing a debtors securitisation arrangement for TSN. At the date of this Strategic Report, only the TSN debtors securitisation arrangement had been implemented (see page 18). The other facilities had yet to be committed. For further information see the going concern disclosure on page 25.

### *Acquisitions and Disposals*

On 1 July 2019 the Group completed the sale of its Firststeel business, a coated steel bakeware manufacturer based in the UK, to William King Limited.

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

On 2 September 2019 TSUKH also announced the closure of Wolverhampton Engineering Steels Service Centre, a processor of engineering bar based in the UK, as it had been unable to find a buyer for the business.

Across the wider Tata Steel Group there is a focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce complexity, aid in transparency and improve corporate governance. As part of this wider goal during the year TSUKH derecognised 76 of its subsidiaries. This was achieved as follows:

- Voluntary liquidation of 74 non-trading subsidiaries (62 UK and Ireland, 4 Netherlands and 8 rest of World);
- Sale of 1 subsidiary (Cogent Power Inc);
- Liquidation of Tata Steel Europe Metals Trading B.V. following its merger into Tata Steel IJmuiden B.V.

For full details of companies involved please see the full subsidiary listing in note 36 of the accounts.

On 13 November 2020, TSL announced it had entered into discussions with SSAB AB regarding the potential sale of its Tata Steel Netherlands business. This potential transaction would involve the sale of a number of the company's

## A5. Financial Review

subsidiaries. The potential transaction is currently going through a due diligence process and no further decisions or announcements have yet to be made.

### *Cash flow*

Net cash flow from operating activities in 2019/20 was an outflow of £471m (2018/19: inflow of £179m) This included a net cash outflow of £558m (2018/19: £44m inflow) from working capital financing arrangements with TS Global

Procurement Pte. Ltd ('Proco'), a subsidiary of TSL, although this was offset by a net cash inflow of £232m (2018/19: nil) in relation to the new trade receivables securitisation agreement. The working capital/turnover ratio (excluding the impact of arrangements with TSL Group companies) increased to 14.5% at 31 March 2020 (31 March 2019: 13.4%). This is largely due to a reduction in turnover not fully matched by reductions in working capital.

Net cash flow used in investing activities was an outflow of £314m (2018/19: £346m) due mainly to property, plant and equipment capital expenditure of £370m (2018/19: £386m).

There was a net cash inflow of £796m from financing activities (2018/19: inflow of £199m) largely arising from issuances of new share capital part of which was used to repay debt and part was used to repay working capital financing arrangements with Proco. The net increase in cash and cash equivalents of £11m (2018/19: increase of £32m).

### *Capital expenditure*

Capital expenditure on property, plant and equipment in 2019/20 at £370m (2018/19: £386m) included spend on a number of major capital projects in both the Netherlands and the UK. In the Netherlands, these included within the Strip Products Mainland Europe business, significant capital expenditure on the Strategic Asset Roadmap Programme (STAR) to support the strategic growth of differentiated, high value products in the automotive, lifting and excavating, and energy and power market sectors. Key STAR activities during 2019/20 included further work on the upgrade of a Cold Mill to enhance its reduction capabilities, work on the Hot Mill to increase motor power, and installation of a new walking beam furnace for the Hot Mill (this scheme also reduces energy consumption so supports the national energy agreement with the Dutch government).

The main projects within the UK in 2019/20 included within the Strip Products UK business, completion of the essential replacement of one of the Basic Oxygen Steelmaking (BOS) converter vessels, further work to extend the life of the Power Plant and the commencement of work to replace the electrostatic precipitator unit on the Sinter plant.

### *Balance sheet*

TSUKH's consolidated net assets at 31 March 2020 were £3,784m (31 March 2019: net liabilities of £2,547m). The improvement of £6,331m was due to the loss after taxation of £(660)m and other comprehensive income of £520m (2018/19: £37m) caused mainly by actuarial gains of £666m (2018/19: £77m) on defined benefit pension and other post-retirement plans (see page 36), and £6,471m in relation to the issuance of new share capital (see page 78).

On 30 September 2019, the Group's ultimate parent company, TSL, carried out a restructuring of TSE's inter-company debt via a conversion to equity. This resulted in £5,229m issuance of new share capital in TSUKH. A further £1,242m of share capital was issued during the year. Further details can be found in Note 25.

Net debt at 31 March 2020 amounted to £1,704m (31 March 2019: £6,960m). Of the gross debt, 0% (31 March 2019: 72%) related to borrowings from within the TSL Group. Cash and short term deposits at 31 March 2020 amounted to £138m (31 March 2019: £127m). Further details on borrowings can be found in Note 18.

### *Financial risk management*

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

## A6. Section 172, Companies Act 2006

### *Section 172, Companies Act 2006*

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

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

TSUKH is a holding company in the TSE Group and is the indirect parent of both Tata Steel's principal operating company in the UK, Tata Steel UK Limited (TSUK), and Tata Steel's principal operating company in the Netherlands, Tata Steel IJmuiden BV (TSIJ). TSUKH's ultimate European parent is Tata Steel Europe Limited (TSE), a UK legal entity and TSUKH's ultimate parent company is Tata Steel Limited (TSL) in India. Oversight of the TSE Group, including TSUKH, is carried out at TSE Board level which is responsible for setting strategic priorities, supporting stakeholder engagement including communication with TSUKH's ultimate parent company, TSL, in India.

As is usual with large companies, the TSE Board delegates authority for day-to-day management of the TSE Group to an Executive Committee, led by the Chief Executive Officer, who set, approve and manage the execution of business strategy. To ensure alignment with the legal entity framework, two TSE Executive Committee members (Chief Financial Officer and Director Legal & Company Secretary) are directors on the TSUKH Board, and all six Executive Committee members are directors of TSUK. The majority of the Executive Committee sit on the board of TSUKH's immediate subsidiary, Tata Steel

Netherlands Holdings BV which is the immediate parent of Tata Steel Nederland BV and indirect parent of TSIJ. In addition, two TSE Executive Committee members (Chief Executive Officer and Chief Financial Officer) are directors of the TSE Board.

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

TSUKH has mechanisms in place for reporting to the Executive Committee, TSE and TSL Boards.

The TSE Group promotes high standards of corporate governance throughout the organisation and the TSUKH Board upholds these standards.

For the year ended 31 March 2020, TSE and TSUKH has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018 and available on its website). These new corporate governance reporting requirements apply to companies reporting for financial years starting on or after 1 January 2019. A corporate governance statement can be found on pages 26 to 29.

As it is a holding company, the TSUKH Board holds meetings when required to consider the impact of key proposals and material matters affecting TSUKH. These relate mostly to financial matters such as approving annual report and accounts, refinancing and equity issuances, and to administrative matters, such as appointment of new directors.

New directors inducted into the Company are made aware of their directors' duties, including section 172(1) of the Companies Act, 2006. Induction materials are refreshed and made available to all directors via a Board portal.

With regard to section 172(1)(a), to aid the TSE Group's objective of long term financial independence, in September 2019, the TSUKH Board approved debt restructuring including the issuance of new equity in Tulip UK Holdings (No. 3) Limited, another TSE Group holding company, and a contribution to the capital of subsidiary Tata Steel Netherlands

## A6. Section 172, Companies Act 2006

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Holdings BV. In October 2019, the TSUKH Board approved the issuance of new equity in Tulip UK Holdings (No. 3) Limited to fund repayment of external debt under the Senior Facilities Agreement. In December 2019, the TSUKH Board approved arrangements in relation to a new Senior Facilities Agreement which completed in February 2020 and in relation to which no repayment is required for 5 years.

With regard to section 172(1)(b)-(f), given it is a holding company usually carrying out financial or administrative activities, TSUKH has limited stakeholders (eg shareholders and banks) as compared to its principal operating subsidiary TSUK or its indirect parent, TSE, who have a wider group of stakeholder interests to consider. TSE Group policies will apply to TSUKH, including compliance policies. Further disclosures with regard to direct stakeholder impact of group companies are included in the TSE Report and Accounts for the year ended 31 March 2020.

The TSUKH Board is conscious of the impact its business decisions have on its stakeholders and those of the TSE Group (including shareholders, employees, pensioners, subsidiaries, banks and Government bodies) as well as the wider impact on society. The Board recognises that given the complexity of the TSE Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSUKH Board has taken decisions in the year that it believes best support TSUKH's strategic objectives.



## A7. Approval of Strategic Report

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

Approved by the Board of Directors and signed by order of the Board by:



S Biswas  
Director  
21 December 2020

## B. Directors' Report

### *The Board*

The directors of the Company who served throughout the period from 1 April 2019 to the date of this report (unless otherwise stated) were as follows:

S Biswas (appointed 20 February 2020)  
H Matheson (appointed 20 February 2020)  
N K Misra (resigned 21 February 2020)  
D Dutta (resigned 30 September 2019)  
R Sud (appointed 24 September 2019)

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

### *Directors' indemnity*

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

### *Dividends*

The directors do not recommend that a dividend be paid, and no dividends were paid or proposed during the year (2019/20: nil).

### *Political donations*

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

### *Statement as to disclosure of information to the Company's independent 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 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 auditor to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an AGM. Price Waterhouse & Co Chartered Accountants LLP in India is the auditors of the ultimate parent company, TSL.

### *Company's financial position*

The Directors note that the actions taken by the parent company during 2019/20 to convert loans into equity has significantly strengthened the Company balance sheet such that as at 31 March 2020 there was a net asset position of £3,368m (2019: net liability position of £2,224m).

### *Going concern*

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

In previous years, the Company and the Group have benefitted from the financial support provided by Proco and TSE's parent company T S Global Holdings Pte Ltd ('TSGH'), including, in 2019/20, the conversion of a significant amount of debt to equity, further equity injections, continued access to working capital facilities, and the refinancing of the Group's Senior Facilities Agreement ('SFA') in February 2020. Following the refinancing, the Group has no repayment obligations due under the SFA until February 2025.

In March 2020, the Group first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Group has taken steps to respond to the financial consequences of the reduced steel

## B. Directors' Report

demand by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In addition, Tata Steel is currently engaged in constructive discussions regarding a range of other financing facilities to support the Group's liquidity position. This includes discussions with the UK government around a bespoke support package for Tata Steel UK Limited ('TSUK'), loans backed by the Netherlands government for Tata Steel Nederland BV ('TSN'), and an external debtors securitisation facility in TSN.

The directors have considered a number of possible financial scenarios ranging in severity depending on how quickly the general economy, and demand for steel, recovers from the effects of the COVID-19 pandemic. Under all scenarios, the directors believe that the Group has access to adequate liquidity given the support undertaken provided by Proco described above and a reasonable prospect of securing one or more of the additional financing facilities described above. However, the severity and length of the downturn in steel demand in Europe remains unpredictable due to the unprecedented nature of the COVID-19 pandemic. Therefore the financial projections of the Group, and the effect on the Group'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 and Group has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the impact of the COVID-19 pandemic on the future funding requirements of the Group which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

### Corporate Governance

For the year ended 31 March 2020, TSUKH, as a member of the TSE Group, has applied the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework for corporate governance arrangements for its financial year starting on 1 April 2019. These corporate governance reporting requirements apply to companies reporting for the financial years starting on or after 1 January 2019.

### Principle 1 – Purpose and Leadership

TSUKH is a holding company in the Tata Steel Europe Limited (TSE) Group is the indirect parent of both Tata Steel's principal operating company in the UK, Tata Steel UK Limited (TSUK), and Tata Steel's principal operating company in the Netherlands, Tata Steel IJmuiden BV (TSIJ). Oversight of TSUKH and other TSE Group companies is carried out by the TSE Board, which is also responsible for setting and reviewing strategic priorities and monitoring performance. The TSE Board delegates authority for day to day management of the TSE's Group's affairs, including TSUKH, to the TSE Executive Committee.

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

TSE's vision is striving to be the global steel industry benchmark for value creation and corporate citizenship. TSEH's mission is to build the leading European steel business that is sustainable in every sense which: delivers value to its shareholder; partners with customers and suppliers to innovate, produce and deliver steel products and services in a responsible way; and empowers its people and engages with its communities.

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

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

- Pioneering - be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.
- Responsibility - be responsible and responsive to the countries, communities and environments in which the company works, always ensuring that what comes from the people goes back to the people many times over.

## B. Directors' Report

- Excellence - constantly strive to achieve the highest possible standards in day-to-day work and in the quality of the goods and services the company provides.
- Unity - work cohesively with colleagues across the Group and with customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.
- Integrity: conduct business fairly, with honesty and transparency. Everything the company does must stand the test of public scrutiny.

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

### *Principle 2 – Board Composition*

The TSUKH Board comprises three directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSUKH operates. Two of the directors are also directors of material operating subsidiary TSUK, including the TSUK Chairperson. The size and structure of the Board is appropriate for the Company.

Day-to-day management of the TSE Group's affairs, including TSUKH, is carried out by the TSE Executive Committee, comprising the Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Chief Commercial Officer, Executive Director Human Resources and Director Legal & Company Secretary, TSE. The Chief Financial Officer and the Director Legal & Company Secretary, TSE are also directors of TSUKH. The Chief Executive Officer and Chief Financial Officer are also TSE Board directors.

A number of Executive Committee members are also directors of subsidiary TSNH, including the Chief Financial Officer.

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

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

The TSE Group does not have its own Nominations Committee. Any proposed TSUKH Board director appointments are required to be considered by the TSE Executive Committee for management approval.

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

Board effectiveness reviews are carried out at TSE Board and TSE Executive Committee levels and will be considered for TSUKH for 2020/21.

### *Principle 3 – Directors responsibilities*

The TSUKH Board convenes when required to discuss material matters affecting the Company, mainly in relation to financial matters. Directors' interests, if any, are reported at each Board meeting.

Governance oversight is provided at TSE Group level, there are established Audit, Remuneration and Pensions Board committees, each with a terms of reference.

Safety, Health and Environment (SHE) matters are reviewed at TSL group level by a SHE Committee chaired by a non-executive director of TSL who is also a non-executive director of TSE. In addition, there is a TSE Health, Safety and Environment Forum and a TSE Process Safety Committee both chaired by the TSE Chief Executive Officer and a TSE Occupational Health & Safety Committee chaired by the TSE Chief Technical Officer.

In April 2020, the TSE Board established a TSE Board COVID-19 Committee to facilitate and support the management of TSE during the global coronavirus pandemic. This Committee also includes the Chief Financial Officer who is also a TSUKH director.

The TSE and Executive Committee receive regular and timely information on all key aspects of the business including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. Board papers setting out proposals are required to include background, current status, rationale and business case, alternatives, financial analysis, risk assessment, stakeholder considerations and timelines to help inform directors with their decision making. The TSE internal audit function provides additional assurance to ensure systems and

## B. Directors' Report

controls are operating effectively and that the quality and integrity of information is reliable.

In 2011, following the introduction of a new operating model, TSE deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. Each policy is sponsored by an Executive Committee member. A review of each of the policies took place in 2019/20 and is currently ongoing.

### *Principle 4 – Opportunity and Risk*

The Board considers for approval material matters affecting the Company (as defined by value and duration).

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

### *Principle 5 – Remuneration*

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

simple, objective and fair. The Group's reward processes support talent management and career development.

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

The Executive Director, Human Resources is the principal source of information and internal advice for the Remuneration Committee. External benchmarking is undertaken periodically to ensure alignment with good practice and the market.

TSUKH's principal operating subsidiary in the UK, TSUK, has published its Gender Pay Gap Report for 2019, which is available on the TSE Website (<https://www.tatasteeleurope.com/en/sustainability/people>). Further information in relation to the Gender Pay Gap is available on page 12.

### *Principle 6 – Stakeholder Relationships and Engagement*

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

The TSE Group, including TSUKH, prioritise the health, safety and wellbeing of employees, contractors and other partners through a Health & Safety framework including zero harm and 5 key health and safety commitments. Through the PeopleLink system, Tata Steel offers online learning and

## B. Directors' Report

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

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

Tata Steel also engages with trade unions and works councils as appropriate. In 2019/20 there has been engagement with employee representatives in relation to the employment and organisation aspects of TSE Transformation Programme. Tata Steel has also engaged with the UK trade unions to agree furlough arrangements under UK Government Coronavirus Job Retention Scheme due to the global pandemic.

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

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

The TSE Group has a Responsible Procurement Policy which underpins TSE's commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to TSE and their respective entire supply chains. The policy has the following principles: health and safety, fair business practices, environmental protection, human rights and local community development. A due diligence management system for the complete supply base has been implemented in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

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

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

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

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

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

A review of the TSE Group's performance, processes and practices is carried out bi-annually as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set criteria. Leadership is a key category of the assessment model and the assessors review the operation of governance in the TSE Group. The TBEM process enhances value for all stakeholders and contributes to market place success, maximises enterprise-wide effectiveness and capabilities and delivers organisational and personal learning. At the end of the assessment, feedback is provided to the TSE Board who then make recommendations for improvement. TSE is currently preparing for its next TBEM assessment with a vision and roadmap towards being recognised as an industry leader by 2025.

[Statement of engagement with suppliers, customers and others in a business relationship with the company](#)

Engagement with suppliers, customers and others with whom the Group is in a business relationship is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 28.

## B. Directors' Report

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### Statement of engagement with employees

Engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 28.

### Information provided in the Strategic report

In accordance with section 414C of the Companies Act 2006 the directors have chosen to disclose the following information in the Group's strategic report:

- Principal risks and uncertainties (see page 4);
- Business review (see page 10);
- Factors likely to affect the Group's future development, performance and position (see page 10);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 12);
- Details on how the Group engages with its employees (see page 12);
- Streamlined Energy & Carbon Reporting emissions information (see page 14);
- Research & development activities (see page 17);
- Particulars of any events affecting the Company (or any of its subsidiary undertakings) which have occurred since the end of the financial year (see page 17); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 21).



By order of the Board  
S Biswas  
Director  
21 December 2020

## C. Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 keeping adequate accounting records that are sufficient to show and explain the group 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

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



By order of the Board  
S Biswas  
Director  
21 December 2020



### Report on the audit of the financial statements

#### Opinion

In our opinion:

- Tata Steel UK Holdings Limited Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 March 2020; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Parent Company statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Material uncertainty related to going concern - Group and Parent company

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

## D. Independent Auditors' Report to the members of Tata Steel UK Holdings Limited

statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern.

### Reporting on other information

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

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

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

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

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

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

As explained more fully in the Directors Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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.

## D. Independent Auditors' Report to the members of Tata Steel UK Holdings Limited

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

### *Use of this report*

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

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent 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 parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Katharine Finn (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

22 December 2020

## E1. Consolidated income statement

### For the financial year ended 31 March

	Note	2020			2019		
		Before exceptional items £m	Exceptional items (Note 2) £m	Total after exceptional items £m	Before exceptional items £m	Exceptional items (Note 2) £m	Total after exceptional items £m
<b>Revenue</b>	1	<b>6,202</b>	-	<b>6,202</b>	7,070	-	7,070
<b>Operating costs</b>	2	<b>(6,826)</b>	<b>8</b>	<b>(6,818)</b>	(7,016)	(9)	(7,025)
<b>Operating (loss)/profit</b>		<b>(624)</b>	<b>8</b>	<b>(616)</b>	54	(9)	45
Finance costs	5	<b>(358)</b>	-	<b>(358)</b>	(489)	-	(489)
Finance income	5	<b>137</b>	-	<b>137</b>	5	-	5
Share of post-tax results of joint ventures and associates	10 (iv)	<b>3</b>	-	<b>3</b>	2	-	2
<b>(Loss)/profit before taxation</b>		<b>(842)</b>	<b>8</b>	<b>(834)</b>	(428)	(9)	(437)
Taxation credit/(charge)	6	<b>174</b>	-	<b>174</b>	(35)	-	(35)
<b>(Loss)/profit after taxation</b>		<b>(668)</b>	<b>8</b>	<b>(660)</b>	(463)	(9)	(472)
Attributable to:							
Owners of the Company				<b>(659)</b>			(344)
Non-controlling interests				<b>(1)</b>			(128)

All references to 2020 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 36 refer to the financial period ended 31 March 2020 or as at 31 March 2020 as appropriate (2019: the financial period ended 31 March 2019 or as at 31 March 2019).

Notes and related statements forming part of these accounts appear on pages 49 to 87.

## E2. Consolidated statement of comprehensive income

For the financial year ended 31 March

	Note	2020 £m	2019 £m
<b>Loss after taxation</b>		<b>(660)</b>	<b>(472)</b>
<b>Items that will not be reclassified subsequently to the income statement:</b>			
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans	20	<b>666</b>	(77)
Income tax relating to items that will not be reclassified	6	<b>(128)</b>	11
<b>Items that may be reclassified subsequently to the income statement:</b>			
(Losses)/gains arising on cash flow hedges	23	<b>(29)</b>	19
Income tax relating to items that may be reclassified	6	<b>7</b>	(5)
Foreign exchange on currency net investments		<b>4</b>	15
<b>Other comprehensive income/(loss) for the year net of tax</b>		<b>520</b>	<b>(37)</b>
<b>Total comprehensive (loss) for the year</b>		<b>(140)</b>	<b>(509)</b>
Attributable to:			
Owners of the Company		<b>(139)</b>	(364)
Non-controlling interests		<b>(1)</b>	(145)

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

Notes and related statements forming part of these accounts appear on pages 49 to 87.

## E3. Consolidated and Parent Company balance sheets

As at 31 March		Group		Company	
		2020	2019	2020	2019
	Note	£m	£m	£m	£m
<b>Non-current assets</b>					
Goodwill	7	405	405	-	-
Other intangible assets	8	105	128	-	-
Property, plant and equipment	9	2,516	2,397	-	-
Equity accounted investments	10	38	36	-	-
Investments in subsidiary undertakings	10	-	-	3,899	3,244
Other investments	11	39	24	-	-
Long term receivables	12	19	28	-	-
Retirement benefit assets	20	2,916	2,205	-	-
Deferred tax assets	13	121	65	-	-
Other tax assets		1	2	-	-
		<b>6,160</b>	<b>5,290</b>	<b>3,899</b>	<b>3,244</b>
<b>Current assets</b>					
Inventories	14	1,375	1,515	-	-
Trade and other receivables	15	788	781	2	60
Current tax assets	16	4	5	-	-
Cash and short-term deposits	17	138	127	-	-
		<b>2,305</b>	<b>2,428</b>	<b>2</b>	<b>60</b>
<b>TOTAL ASSETS</b>		<b>8,465</b>	<b>7,718</b>	<b>3,901</b>	<b>3,304</b>
<b>Current liabilities</b>					
Inter-group borrowings	18	-	(545)	-	-
External borrowings	18	(268)	(940)	(1)	(546)
Trade and other payables	19	(2,399)	(2,742)	(11)	(63)
Current tax liabilities	16	(12)	(11)	-	-
Retirement benefit obligations	20	(1)	(6)	-	-
Short-term provisions and other liabilities	21	(85)	(69)	-	-
		<b>(2,765)</b>	<b>(4,313)</b>	<b>(12)</b>	<b>(609)</b>
<b>Non-current liabilities</b>					
Inter-group borrowings	18	-	(4,542)	-	(4,413)
External borrowings	18	(1,574)	(1,060)	-	-
Deferred tax liabilities	13	-	(1)	-	-
Retirement benefit obligations	20	(128)	(119)	-	-
Provisions and other liabilities	21	(202)	(214)	-	-
Other non-current liabilities	22	(5)	(9)	(521)	(506)
Deferred income	24	(7)	(7)	-	-
		<b>(1,916)</b>	<b>(5,952)</b>	<b>(521)</b>	<b>(4,919)</b>
<b>TOTAL LIABILITIES</b>		<b>(4,681)</b>	<b>(10,265)</b>	<b>(533)</b>	<b>(5,528)</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>3,784</b>	<b>(2,547)</b>	<b>3,368</b>	<b>(2,224)</b>
<b>Equity</b>					
Called up share capital	25	9,968	3,497	9,968	3,497
Share premium		450	450	450	450
Accumulated deficit		(6,902)	(6,779)	(7,050)	(6,171)
Other components of equity		267	285	-	-
Equity attributable to owners of the Company		<b>3,783</b>	<b>(2,547)</b>	<b>3,368</b>	<b>(2,224)</b>
Non-controlling interests		1	-	-	-
<b>TOTAL EQUITY</b>		<b>3,784</b>	<b>(2,547)</b>	<b>3,368</b>	<b>(2,224)</b>

The Company recorded a loss of £879m (2019: loss of £47m) and has taken advantage of the exemption under section 408 of the Companies Act 2006 allowing it not to present its own Income Statement. For further information on the Company's net asset position, please refer to page 21.

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



S Biswas  
 Director  
 21 December 2020  
 Tata Steel UK Holdings Limited  
 Registered No:05887351

## E4. Consolidated and Parent Company statements of changes in equity

### Group:

	Share capital £m	Share premium £m	Accumulated deficit £m	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance as at 1 April 2018</b>	<b>3,497</b>	<b>450</b>	<b>(6,211)</b>	<b>(3)</b>	<b>261</b>	<b>(2)</b>	<b>(2,008)</b>	<b>(30)</b>	<b>(2,038)</b>
Loss for the year	-	-	(344)	-	-	-	(344)	(128)	(472)
Other comprehensive (loss)/income for the year	-	-	(49)	13	16	-	(20)	(17)	(37)
Total comprehensive (loss)/income for the year	-	-	(393)	13	16	-	(364)	(145)	(509)
Other transactions with non-controlling interests	-	-	(11)	-	-	-	(11)	11	-
Dilution of non-controlling interests	-	-	(164)	-	-	-	(164)	164	-
<b>Balance as at 31 March 2019</b>	<b>3,497</b>	<b>450</b>	<b>(6,779)</b>	<b>10</b>	<b>277</b>	<b>(2)</b>	<b>(2,547)</b>	<b>-</b>	<b>(2,547)</b>
Loss for the year	-	-	(659)	-	-	-	(659)	(1)	(660)
Other comprehensive income/(loss) for the year	-	-	538	(22)	4	-	520	-	520
Total comprehensive (loss)/income for the year	-	-	(121)	(22)	4	-	(139)	(1)	(140)
Dilution of non-controlling interests	-	-	(2)	-	-	-	(2)	2	-
Issue of ordinary shares	6,471	-	-	-	-	-	6,471	-	6,471
<b>Balance as at 31 March 2020</b>	<b>9,968</b>	<b>450</b>	<b>(6,902)</b>	<b>(12)</b>	<b>281</b>	<b>(2)</b>	<b>3,783</b>	<b>1</b>	<b>3,784</b>

### Company:

	Share capital £m	Share premium £m	Accumulated deficit £m	Total equity £m
<b>Balance as at 1 April 2018</b>	<b>3,497</b>	<b>450</b>	<b>(6,124)</b>	<b>(2,177)</b>
Loss for the year	-	-	(47)	(47)
<b>Balance as at 31 March 2019</b>	<b>3,497</b>	<b>450</b>	<b>(6,171)</b>	<b>(2,224)</b>
Loss for the year	-	-	(879)	(879)
Issue of ordinary shares	6,471	-	-	6,471
<b>Balance as at 31 March 2020</b>	<b>9,968</b>	<b>450</b>	<b>(7,050)</b>	<b>3,368</b>

Notes and related statements forming part of these accounts appear on pages 49 to 87.

## E5. Consolidated statement of cash flows

### For the financial year ended 31 March

	Note	2020 £m	2019 £m
<b>Operating activities</b>			
Cash (used in)/generated from operations	29	(254)	415
Interest paid		(204)	(222)
Interest element of finance lease rental payments		(14)	(3)
UK corporation tax		(2)	(2)
Overseas taxation		3	(9)
<b>Net cash flow (used in)/generated from operating activities</b>		<b>(471)</b>	<b>179</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(370)	(386)
Sale of property, plant and equipment		6	37
Purchase of other intangible assets		(14)	(28)
Sale of other intangible assets		1	-
Purchase of other fixed asset investments		-	(1)
Sale of other fixed asset investments		-	10
Deferred proceeds on prior sale of subsidiary		13	10
Sale of businesses and subsidiary undertakings	32	28	(2)
Sale of investments in joint ventures	10	-	3
Dividends from joint ventures and associates	10	2	8
Dividends received from investments		1	1
Principle receipts under sublet finance leases		15	-
Interest received		4	1
Cash placed on deposit		-	1
<b>Net cash flow used in investing activities</b>		<b>(314)</b>	<b>(346)</b>
<b>Financing activities</b>			
New loans (including drawdowns of revolving credit facility)		661	806
Repayment of borrowings (including repayments of revolving credit facility)		(1,038)	(597)
Capital element of finance lease rental payments		(69)	(10)
Proceeds on issue of shares	25	1,242	-
<b>Net cash flow generated from financing activities</b>		<b>796</b>	<b>199</b>
Increase in cash and cash equivalents	31	11	32
Cash and cash equivalents at beginning of period	31	121	90
Effect of foreign exchange rate changes	31	1	(1)
<b>Cash and cash equivalents at end of period</b>	<b>31</b>	<b>133</b>	<b>121</b>
Cash and cash equivalents consist of:			
Cash and short-term deposits	17	138	127
Bank overdrafts	18	(5)	(6)
		<b>133</b>	<b>121</b>

Increase in interest element of finance lease rental payments is as a result of the adoption of IFRS 16 Leases, from 1 April 2019. Refer to E6. Presentation of accounts and accounting policies for details.

Notes and related statements forming part of these accounts appear on pages 49 to 87.



## E6. Presentation of accounts and accounting policies

### I Basis of preparation

TSUKH is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Group for the year ended 31 March 2020 comprise the Company and its subsidiaries and the Group's interest in its joint ventures and associated undertakings.

The functional and presentational currency of the Company and the presentational currency of the Group is sterling. The Group has prepared its Report & Accounts in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ('IASB').

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been included as part of the Group's consolidated financial statements.

The financial statements for the Company and Group have been prepared under the historical cost convention, unless otherwise stated.

#### Going concern

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

In previous years, the Company and the Group have benefitted from the financial support provided by Proco and TSE's parent company T S Global Holdings Pte Ltd ('TSGH'), including, in 2019/20, the conversion of a significant amount of debt to equity, further equity injections, continued access to working capital facilities, and the refinancing of the Group's Senior Facilities Agreement ('SFA') in February 2020. Following the refinancing, the Group has no repayment obligations due under the SFA until February 2025.

In March 2020, the Group first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. The Group has taken steps to respond to the financial consequences of the reduced steel demand by utilising available government support measures,

taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In addition, Tata Steel is currently engaged in constructive discussions regarding a range of other financing facilities to support the Group's liquidity position. This includes discussions with the UK government around a bespoke support package for Tata Steel UK Limited ('TSUK'), loans backed by the Netherlands government for Tata Steel Nederland BV ('TSN'), and an external debtors securitisation facility in TSN.

The directors have considered a number of possible financial scenarios ranging in severity depending on how quickly the general economy, and demand for steel, recovers from the effects of the COVID-19 pandemic. Under all scenarios, the directors believe that the Group has access to adequate liquidity given the support undertaking provided by Proco described above and a reasonable prospect of securing one or more of the additional financing facilities described above. However, the severity and length of the downturn in steel demand in Europe remains unpredictable due to the unprecedented nature of the COVID-19 pandemic. Therefore the financial projections of the Group, and the effect on the Group'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 and Group has adequate resources to continue operating for the foreseeable future, they have concluded that there exists a material uncertainty caused by the impact of the COVID-19 pandemic on the future funding requirements of the Group which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

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

### II New Standards and interpretations applied

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

		Effective Date*
IFRS 16	Leases	1 Jan 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 Jan 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 Jan 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 Jan 2019
IFRIC 23 (Revised Interpretation)	Uncertainty over Income Tax Treatments	1 Jan 2019

## E6. Presentation of accounts and accounting policies

IFRS 3, IFRS 11, IAS 12 & IAS 23 (Amendments)	2015-2017 Annual Improvements cycle	1 Jan 2019
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\* periods commencing on or after

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

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

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

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

The Group recognised right-of-use assets of £135m (after deducting impairments of £8m), sublease investments of £31m and lease liabilities of £174m on adoption.

### Transition approach and exemptions

The Group has chosen the following:

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

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

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

### Measurement of lease liabilities

	£m
IAS 17 operating lease commitment as at 31 March 2019	271
Short-term leases recognised on a straight-line basis as expense	(16)
Service/non-lease components of lease contracts	(14)
Adjustments as a result of a different treatment of extension and termination options	(6)
Adjustments relating to changes in the index or rate affecting variable payments	(42)
Contracts recognised as leases on transition to IFRS 16 "Leases"	16
Undiscounted operating lease commitments as at 1 April 2019	<b>209</b>
Effect of discounting using the lessee's incremental borrowing rate as at 1 April 2019 of 5.17%	(35)
<b>IFRS 16 lease liability as at 01 April 2019</b>	<b>174</b>

## III New Standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following Standards, which are relevant to the Group's reporting but have either not been applied as they have not been adopted for use in the EU in the year ended 31 March 2020, or have an effective date after the date of these financial statements:

	Effective Date*
IFRS 17	1 Jan 2021
IAS 1 (Amendments)	1 Jan 2020
IAS 1 and IAS 8 (Amendments)	1 Jan 2020
IFRS 3 (Amendments)	1 Jan 2020
IFRS 7, IFRS 9 and IAS 39 (Amendments)	1 Jan 2020
Insurance Contracts	1 Jan 2021
Updated references to Conceptual Framework	1 Jan 2020
New Materiality definition	1 Jan 2020
Updated definition of a Business	1 Jan 2020
Interest rate benchmark reform	1 Jan 2020

\* periods commencing on or after

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

## IV Use of estimates and critical accounting judgements

In the application of the Group's accounting policies, which are described in section V, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the

## E6. Presentation of accounts and accounting policies

revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

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

#### 1) Presentation of exceptional items

Judgement has been exercised by the Company when interpreting the requirement to present separately exceptional items. Items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Further information surrounding exceptional items can be found in note 2.

### *Key sources of estimation uncertainty*

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

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

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

#### 2) Recognition of deferred tax assets

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

#### 3) Post-retirement benefits

The Group's retirement benefit obligations are assessed by selecting key assumptions. The selection of inflation, salary growth, and mortality rates are key sources of estimation uncertainty which could lead to a material adjustment in the defined benefit obligations within the next financial year. The

Group sets these judgements with close reference to market conditions and third party actuarial advice.

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

The Group's main defined benefit scheme, being BSPS in the UK, is in a net surplus position at the balance sheet date on an IAS 19 basis. The surplus in the BSPS is not immediately realisable. The final amount realised may differ from the amount recognised in the balance sheet. Further details on the Group's retirement benefit obligations, including a sensitivity analysis of key judgements are included within note 20 and note V(d).

The possibility of a "no deal" Brexit has created economic uncertainties for business. The TSUKH Executive Committee has taken action to mitigate these uncertainties as outlined in page 4. The Group has also prepared for the application of tariffs for goods moving in and out of Europe as disclosed in the Business Review. This planning will allow the Company to take advantage of opportunities that may arise from these changes and mitigate any adverse trading impact on the Group. The Group's view is that this does not represent a material estimation uncertainty.

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

## V Critical accounting policies

### (a) Property, plant and equipment

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

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit and loss. Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and also spares, against which impairment provisions are made where necessary to cover slow moving and obsolete items.

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Group and the cost of the item can be

## E6. Presentation of accounts and accounting policies

measured reliably. All other repairs and renewals are charged to profit and loss as incurred.

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

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and other intangible assets, including those held under 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 Group reviews the carrying amounts of its property, plant and equipment and other intangible assets (including goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

### (c) Taxation

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

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

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

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

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

### (d) Retirement benefit costs

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

For defined benefit retirement schemes the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period end. The Group applies IAS 19 'Employee Benefits' to recognise all actuarial gains and losses directly within retained earnings, presenting those arising in any one reporting period as part of the relevant statement of comprehensive income. In

## E6. Presentation of accounts and accounting policies

applying IAS 19, in relation to retirement benefits costs, the current service cost and net interest cost have been treated as a net expense within employment costs. Past service cost is recognised immediately.

The retirement benefit asset or liability recognised in the balance sheet represents the fair value of scheme assets less the present value of the defined benefit obligation, plus the present value of available refunds and reductions in future contributions to the plan.

The Company has assessed the International Accounting Standards Board's exposure draft on proposed amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which was issued in June 2015 on its main defined pension scheme, the BSPS. This provides additional clarity on the role of Trustees' rights in an assessment of the recoverability of a surplus in an employee pension fund. Based on the BSPS scheme rules as at 31 March 2020 the assessment concluded that the Company has an unconditional right to a refund of any surplus after a full run-off, or in the event of a wind-up as the BSPS Trustee does not have any unilateral power to wind-up the scheme or to augment benefits during the life of the plan.

### (e) Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and relevant those provisions are discounted to take into consideration the time value of money.

In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been made at the end of the reporting period. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

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

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

## VI Other accounting policies

### (a) Basis of consolidation

The consolidated income statement, statement of comprehensive income, balance sheet, statement of changes

in equity and statement of cash flows include the Company and its subsidiaries. They also include the Group's share of the profits, net assets and retained post acquisition reserves of joint ventures and associates that are consolidated using the equity method of consolidation. The profits or losses of subsidiaries, joint ventures and associates acquired or sold during the period are included from the date of acquisition or up to the date of their disposal. All intra-group transactions, balances, income and expenses are eliminated on consolidation, including unrealised profits on such transactions.

### (b) Business combinations

On the acquisition of a subsidiary, joint venture or associate, fair values are attributed to the net assets acquired. Any excess of the fair value of consideration given (including the fair value of any contingent consideration) over the fair values of the Group's share of the identifiable net assets acquired is treated as goodwill. The costs of acquisition are charged to profit and loss in the period in which they are incurred. If the fair value of the net assets acquired exceeds the fair value of consideration then these fair values are reassessed before taking the remainder as a credit to profit and loss in the period of acquisition.

Goodwill is recognised as an asset. Although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator. Any impairment is recognised immediately in profit and loss and cannot subsequently be reversed. On disposal of a subsidiary, joint venture or associate any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Where an acquisition is achieved in stages, upon obtaining control the previously held equity interest is reassessed at fair value and any resulting gain or loss is recognised in profit and loss.

The Group has applied IFRS 3 (Revised) 'Business Combinations' to business combinations after 1 April 2010. The accounting for business combinations transacted prior to this date has not been restated.

### (c) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Group must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. An impairment loss is recognised

## E6. Presentation of accounts and accounting policies

for any initial or subsequent write-down of a disposal group to fair value less costs to sell.

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

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

### (d) Revenue

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

#### (i) Sale of goods

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

The steel is 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 made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

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

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one

year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

#### (ii) Rendering of services

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

##### 1) Bill and Hold Arrangements

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

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

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

##### 2) Shipping and Handling Activity

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

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

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

##### 3) Hire Work (Customer Own Material Processing)

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

### (e) Government grants

Grants related to expenditure on property, plant and equipment are credited to the income statement over the useful lives of qualifying assets. Grants related to revenue are credited to the income statement in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to income statement at the end of the reporting period are included in the balance sheet as deferred income.

### (f) Insurance

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

## E6. Presentation of accounts and accounting policies

Group's captive insurance company are charged to profit and loss in the period to which they relate.

### (g) Financing items

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

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment from 1 April 2009, is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

### (h) Foreign currencies

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

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

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

### (i) Financial instruments

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

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

#### (i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification of financial assets*

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

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

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

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

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

#### (ii) Impairment of financial assets

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

For all other financial instruments and in the case of the company intercompany receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

#### (iii) Financial liabilities

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

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

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

## E6. Presentation of accounts and accounting policies

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

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

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

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

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

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

### *(v) Embedded derivatives*

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

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

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

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

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

### *(j) Other intangible assets*

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

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

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

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

Where development activities do not meet the conditions for recognition as an asset, any associated expenditure is treated as an expense in the period in which it is incurred.



## E6. Presentation of accounts and accounting policies

### (k) Leases

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date and extension options, if the Group is reasonable certain to exercise the option. Lease liabilities are classified as part of borrowings.

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

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

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

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

The results and assets and liabilities of joint ventures and associates are incorporated in the accounts using the equity method of accounting, except where classified as held for sale (see section VI(c) above).

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

recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

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

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

### (m) Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is generally determined using the weighted average cost method. Inventories of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

### (n) Cash and cash equivalents

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

### (o) Cash flow statement

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

Receipts and payments with respect to income tax and interest are included in the cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the cash flow statement in the same category as those of the hedged item.

## E7. Notes to the financial statements

### For the financial year ended 31 March

#### 1. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major geographic regions. This disaggregation is consistent with the information regularly reviewed by the Chief Executive Officer in order to evaluate the financial performance of the Group.

	2020 £m	2019 £m
<b>Revenue by destination:</b>		
UK	1,405	1,616
The Netherlands	581	661
Europe excluding UK and The Netherlands	3,296	3,613
North America	568	792
Rest of the world	352	388
	<b>6,202</b>	<b>7,070</b>

#### 2. Operating costs

	2020 £m	2019 £m
<b>Costs by type:</b>		
Raw materials and consumables	3,168	3,377
Maintenance costs (excluding own labour)	527	552
Other external charges (including fuels & utilities, hire charges and carriage costs)	883	1,034
Employment costs (Note 4)	1,316	1,330
Depreciation, amortisation and impairments (Notes 8 and 9)	547	244
Regional development and other grants relating to property, plant and equipment released (Note 24)	(1)	(1)
Other operating items (including rents, rates, insurance and general expenses)	379	546
Changes in inventory of finished goods and work in progress	62	16
Own work capitalised	(41)	(45)
Profit on disposal of property, plant and equipment	(1)	(28)
Profit on disposal of group undertakings (Note 32)	(21)	-
	<b>6,818</b>	<b>7,025</b>

	Operating items before restructuring, impairment and disposals £m	Restructuring, impairment and disposals (i) £m	Exceptional items (ii) £m	Total £m
<b>The above cost in 2020 include:</b>				
Raw materials and consumables	3,168	-	-	<b>3,168</b>
Maintenance costs (excluding own labour)	527	-	-	<b>527</b>
Other external charges (including fuels & utilities, hire charges and carriage costs)	883	-	-	<b>883</b>
Employment costs (Note 4)	1,277	36	3	<b>1,316</b>
Depreciation, amortisation and impairments (Notes 8 and 9)	271	276	-	<b>547</b>
Regional development and other grants relating to property, plant and equipment released (Note 24)	(1)	-	-	<b>(1)</b>
Other operating items (including rents, rates, insurance and general expenses)	381	9	(11)	<b>379</b>
Changes in inventory of finished goods and work in progress	62	-	-	<b>62</b>
Own work capitalised	(41)	-	-	<b>(41)</b>
Profit on disposal of property, plant and equipment	-	(1)	-	<b>(1)</b>
Profit on disposal of group undertakings (Note 32)	-	(21)	-	<b>(21)</b>
	<b>6,527</b>	<b>299</b>	<b>(8)</b>	<b>6,818</b>

## E7. Notes to the financial statements

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

ii) Exceptional income of £11m relates to a net release of provisions of £11m for costs in respect of anticipated customer claims. Exceptional employment charge of £3m is in relation to exceptional pension costs. Further details regarding these items can be found in the financial review (page 19) and Note 20.

	2020 £m	2019 £m
<b>The above costs are stated after including:</b>		
Amortisation of other intangible assets (Note 8)	16	16
Depreciation of owned assets (Note 9)	208	201
Impairment losses relate to other intangible assets (Note 8)	-	10
Impairment losses related to property, plant and equipment (Note 9)	261	13
Impairment losses related to right of use assets (Note 9)	8	-
Impairment losses related to spares (Note 9)	7	-
Depreciation of right of use assets	47	4
Net exchange rate gains	(9)	(32)
Expenses relating to short-term leases	5	-
Expenses relating to low value leases	1	-
Expenses relating to variable lease payments not included in lease liabilities	33	-
Income from subleasing	(7)	-
Costs of research and development (gross)	53	61
Recoveries on research and development	(3)	(3)
Profit on release of grants (Note 24)	(1)	(1)
Charge on provision for emissions rights deficit	47	103
Impairments against trade receivables (Note 15 (ii))	3	2

The Group recognised £43m depreciation of right of use assets as a result of the adoption of IFRS 16 Leases during 2020.

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

	2020 £m	2019 £m
Fees payable to the Group's auditors and their associates for the audit of the Group	1.8	1.8
Audit-related assurance services	0.5	0.8
Taxation services	-	0.2
Total non-audit fees	0.5	1.0
<b>Total Group auditors' remuneration</b>	<b>2.3</b>	<b>2.8</b>

Fees payable in respect of the audit of the Company were £7,600 (2019: £7,600). Fees payable for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. Fees payable in respect of audit-related assurance services of £0.5m (2019: £0.8m) primarily relate to quarterly reviews undertaken by the Group's auditors.

## E7. Notes to the financial statements

### 3. Net restructuring and impairment costs

	2020 £m	2019 £m
Provision for restructuring and related measures:		
Redundancy and related costs	32	5
Pension restructuring costs (Note 20)	4	-
Impairment losses related to property, plant and equipment (Note 9)	261	13
Impairment of Right of Use assets (Note 9)	8	-
Impairment losses related to spares (Note 9)	7	-
Impairment losses related to intangible fixed assets (Note 8)	-	10
Other rationalisation costs	12	2
	<b>324</b>	<b>30</b>
Credits for restructuring and related measures:		
Other rationalisation costs	(3)	-
	<b>(3)</b>	<b>-</b>
<b>Total net restructuring and impairment costs</b>	<b>321</b>	<b>30</b>

The provision for redundancy and related costs of £32m (2019: £5m) related to restructuring measures across many units within the Group.

### 4. Employees

	2020 £m	2019 £m
The total employment costs of all employees (including directors) in the Group were:		
Wages and salaries	1,040	1,083
Social security costs	148	149
Pension costs (Note 20)	89	89
Exceptional pension items (Note 2)	3	4
Redundancy and related costs (Note 3)	32	5
Pension restructuring costs (Note 3)	4	-
	<b>1,316</b>	<b>1,330</b>

(i) Exceptional pensions items includes a net pension charge of £3m (2019: £4m) in respect of charges associated with the RAA (see Note 20ii).

(ii) The average number of employees in the Group during the year was 21,000 (2019: 21,400). This total includes operations staff of 17,300 (2019: 17,500), sales and marketing staff of 1,200 (2019: 1,200) and other staff of 2,500 (2019: 2,700).

(iii) Directors' remuneration

There are no retirement benefits accruing to any directors under defined benefit schemes (2019: nil).

The emoluments of Mr D Dutta and Mr R Sud are paid by other companies within the Tata Steel Group which make no recharge to TSUKH.

Mr N K Misra and Mr S Biswas were both also directors of TSE during the year and also a number of fellow subsidiaries. It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, their emoluments are disclosed in the aggregate of the directors emoluments in the financial statements of TSE with whom they have their primary contract.

## E7. Notes to the financial statements

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

	2020	2019
	£m	£m
Other defined benefit scheme costs (Note 20)	(36)	(35)
Other defined contribution scheme costs (Note 20)	129	126
Costs for setting up the new BSPS scheme borne directly by the company (Note 20)	3	2
	<b>96</b>	<b>93</b>

(v) The Company has no employees. No director received any remuneration during the year in respect of their services to the Company (2019: nil).

## 5. Financing items

	2020	2019
	£m	£m
Interest expense:		
Bank and other borrowings	89	98
Finance leases	14	3
Interest on loans from immediate parent company (Note 33)	139	246
Interest on loans from parent undertakings (Note 33)	7	8
Interest on loans from other Group companies (Note 33)	61	63
Discount on disposal of trade receivables within purchase agreement with Group company (Note 33)	48	71
Finance costs	<b>358</b>	<b>489</b>
Interest income:		
Cash and short-term deposits and short-term investments	(2)	(2)
Unwind of effective interest on deferred proceeds	(3)	(3)
Finance lease	(2)	-
Gain on debt modification	(130)	-
Finance income	<b>(137)</b>	<b>(5)</b>
	<b>221</b>	<b>484</b>

The Group recognised £11m interest expense on finance leases as a result of the adoption of IFRS 16 Leases during 2020.

A gain of £130m has been recognised due to the modification of the Group's SFA facility. For full details see Note 18. Borrowings.

## 6. Taxation

	2020	2019
	£m	£m
UK current year charge	1	2
Overseas current year charge	3	3
UK prior year credit	(1)	(2)
Overseas prior year (credit)/charge	(2)	2
Current tax charge	1	5
UK deferred tax	(127)	10
Overseas deferred tax	(48)	20
Total tax (credit)/charge	<b>(174)</b>	<b>35</b>

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

	2020	2019
	£m	£m
Loss before taxation	(834)	(437)
Loss multiplied by the applicable corporation tax rate of 20.25% (2019: 19.03%)	(169)	(83)
Effects of:		

## E7. Notes to the financial statements

Re-measurement of deferred tax balances arising from changes in tax rates	(3)	4
Adjustments to current tax in respect of prior periods	(3)	-
Adjustments to deferred tax in respect of prior periods	(1)	-
Utilisation of tax losses not previously recognised	(1)	(5)
Previously unrecognised tax losses that are expect to be used in the future	(11)	-
Current year temporary differences (including losses) that we currently do not expect to use	26	57
De-recognition of previously recognised losses	-	5
Non-deductible intercompany costs	-	53
Other permanent differences	(12)	4
	<b>(174)</b>	<b>35</b>

The applicable corporation tax rate is the average tax rate weighted in proportion to the accounting profits earned in each geographical area. The decrease in the rate is caused by a change in the profitability and statutory tax rates in the various geographical areas.

Remeasurement of deferred tax balances arising from changes in tax rates of £3m represents the remeasurement of Dutch deferred tax assets following the enactment on 17 December 2019 of an increase in the future Dutch corporate income tax rate, effective from 1 January 2021. The prior year charge of £4m represents a similar revaluation of the Dutch deferred tax assets following the reduction in the Dutch corporate income tax effective from 1 January 2019.

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

	2020	2019
	£m	£m
Relating to components of other comprehensive income:		
Actuarial movements on defined benefit pension plans and other post-retirement plans	(128)	11
Revaluation of financial instruments treated as cash flow hedges	7	(5)
	<b>(121)</b>	<b>6</b>

## 7. Goodwill

As at 31 March	2020	2019
	£m	£m
Net book value	<b>405</b>	<b>405</b>

The total net book value predominantly relates to the goodwill that arose on the acquisition of Corus Group PLC ('Corus') and has been tested in both periods against the recoverable amount of the Strip Products Mainland Europe CGU. This goodwill related to expected synergies from combining Corus' activities with those of TSL and assets which could not be recognised as separately identifiable intangible assets. Goodwill acquired through this and other acquisitions is tested annually for impairment or more frequently if there are any indications that goodwill may be impaired.

The recoverable amount of the Strip Products Mainland Europe CGU has been determined from a value in use calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out to perpetuity. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, business disruption caused by the COVID-19 pandemic and a discount rate of 8.0% (2019: 8.2%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets. The pre-tax discount rate of 8.0% (2019: 8.2%) is derived from the Group's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. The outcome of the Group's goodwill impairment test as at 31 March 2020 for the Strip Products Mainland Europe CGU resulted in no impairment of goodwill (2019: £nil).

## E7. Notes to the financial statements

### 8. Other intangible assets

#### Group:

2020	Computer software £m	Development costs £m	Patents and Trademark £m	Emission Rights £m	Total £m
Cost as at 1 April 2019	314	29	1	24	368
Additions	15	-	-	-	15
Disposals	(1)	-	-	(24)	(25)
Exchange rate movements	4	1	-	-	5
Cost as at 31 March 2020	332	30	1	-	363
Amortisation as at 1 April 2019	212	27	1	-	240
Charge for the period	14	2	-	-	16
Impairment for the period	-	-	-	-	-
Exchange rate movements	1	1	-	-	2
Amortisation as at 31 March 2020	227	30	1	-	258
Net book value as at 31 March 2020	105	-	-	-	105

The Group recognised an impairment charge of £nil in the current year (2019: £10m) against some computer software.

#### Group:

2019	Computer software £m	Development costs £m	Patents and Trademark £m	Emission Rights £m	Total £m
Cost as at 1 April 2018	283	33	-	-	316
Additions	28	-	-	24	52
Disposals	(1)	-	-	-	(1)
Disposal of group companies	(3)	-	-	-	(3)
Exchange rate movements	-	(2)	-	-	(2)
Reclassification	6	-	-	-	6
Transfer to assets under construction	1	(2)	1	-	-
Cost as at 31 March 2019	314	29	1	24	368
Amortisation as at 1 April 2018	190	24	-	-	214
Charge for the period	12	3	1	-	16
Impairment for the period	10	-	-	-	10
Disposals	(1)	-	-	-	(1)
Disposal of group companies	(3)	-	-	-	(3)
Reclassification	4	-	-	-	4
Amortisation as at 31 March 2019	212	27	1	-	240
Net book value as at 31 March 2019	102	2	-	24	128

The remaining amortisation period for computer software is approximately 6 years (2019: 7 years).

## E7. Notes to the financial statements

### 9. Property, plant and equipment

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

Right of use asset balances in 2020 include assets recognised upon adoption of IFRS 16 of £135m (cost of £143m net of impairment of £8m). In 2019, the Group only recognised right-of-use assets in relation to assets under IAS 17 and IFRIC 4. The additions to the right-of-use assets during the 2020 financial period were £92m.

2019	Land and buildings £m	Plant and machinery £m	Loose plant and tools £m	Assets in course of construction £m	Total £m
Cost or valuation as at 1 April 2018	729	3,774	192	648	5,343
Additions	-	10	51	344	405
Disposals	(8)	(34)	(37)	-	(79)
Disposal of group undertakings	(10)	(24)	-	-	(34)
Exchange rate movements	(11)	(50)	(2)	(8)	(71)
Reclassification	-	-	-	(2)	(2)
Transfers	59	300	1	(360)	-
<b>Cost or valuation as at 31 March 2019</b>	<b>759</b>	<b>3,976</b>	<b>205</b>	<b>622</b>	<b>5,562</b>
Depreciation as at 1 April 2018	308	2,734	137	45	3,224
Charge for the period	19	157	28	-	204
Impairment losses recognised during the period	-	7	2	4	13
Disposals	(3)	(33)	(33)	-	(69)
Disposal of group undertakings	(9)	(24)	-	-	(33)
Exchange rate movements	(4)	(30)	(1)	(1)	(36)
Reclassification	-	-	-	(4)	(4)
Transfers	-	4	-	(4)	-
<b>Depreciation as at 31 March 2019</b>	<b>311</b>	<b>2,815</b>	<b>133</b>	<b>40</b>	<b>3,299</b>
<b>Net book value as at 31 March 2019</b>	<b>448</b>	<b>1,161</b>	<b>72</b>	<b>582</b>	<b>2,263</b>
Spares (net book value)					134
<b>Net book value as at 31 March 2019</b>					<b>2,397</b>



## E7. Notes to the financial statements

Consistent with the annual test for impairment of goodwill as at 31 March 2020 (Note 7), property, plant and equipment was also tested for impairment at that date where indicators of impairment existed. The outcome of this test indicated that, using a discount rate of 8.0% for all countries except for the UK where a discount rate of 8.8% was used (2019: 8.2% for all countries), several of the Group's CGUs had a value in use which was lower than its carrying value. Accordingly, an impairment charge of £276m has been recognised against the Group's CGUs in the year (2019: £14m). This mainly relates to the Strip Products UK CGU where property, plant and equipment has been impaired by £229m. Impairments have also been recognised against Packaging Trostre £18m and various other CGU's and specific assets of £29m (all individually below £10m).

The Group has conducted sensitivity analysis on the impairment tests of the carrying value of the Group's CGUs and property, plant and equipment. The directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculations would cause the carrying value of property, plant and equipment in any CGU to materially exceed its value in use, other than in respect of the remaining property, plant and equipment at the Strip Products UK CGU which had a carrying value at 31 March 2020 of £379m after posting an impairment charge of £229m in 2020. An increase in the discount rate used for impairment testing of 1% would result in an increase of £88m in the impairment charge recognised in 2020 in the Strip Products UK CGU.

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

(i)

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
The net book value of land and buildings comprises:		
Freehold	<b>384</b>	390
Long leasehold (over 50 years unexpired)	<b>8</b>	13
Short leasehold	<b>169</b>	45
	<b>561</b>	448
Which may be further analysed as:		
Assets held under finance leases:		
Cost	<b>248</b>	73
Accumulated depreciation	<b>(71)</b>	(29)
	<b>177</b>	44
Owned assets	<b>384</b>	404
	<b>561</b>	448

(ii)

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
The net book value of plant and machinery comprises:		
Right of use assets subject to operating leases:		
Cost	<b>16</b>	-
Accumulated depreciation and impairment losses	<b>(8)</b>	-
	<b>8</b>	-
Right of use assets not subject to operating leases		-
Cost	<b>205</b>	164
Accumulated depreciation and impairment losses	<b>(153)</b>	(144)
	<b>52</b>	20
Owned assets	<b>955</b>	1,141
	<b>1,015</b>	1,161

(iii)

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
The net book value of spares comprises:		
Cost	<b>506</b>	475
Accumulated depreciation and impairment losses	<b>(360)</b>	(341)
	<b>146</b>	134

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

## E7. Notes to the financial statements

### 10. Equity accounted investments

#### Group:

<b>As at 31 March</b>	Interests in joint ventures £m	Investments in associates £m	<b>2020 Total £m</b>	2019 Total £m
<b>Cost</b>				
At beginning of period	9	10	19	20
Disposals	-	-	-	(1)
At end of period	9	10	19	19
<b>Post-acquisition reserves</b>				
Share at beginning of period	11	6	17	20
Share of retained results in the period	1	-	1	(4)
Disposals	-	-	-	1
Exchange rate movements	1	-	1	-
Share at end of period	13	6	19	17
<b>Net book value at end of period</b>	<b>22</b>	<b>16</b>	<b>38</b>	<b>36</b>
Net book value at beginning of period	20	16	36	40

- (i) The Group's equity accounted investments are listed in Note 36.
- (ii) Summarised information in respect of the Group's joint ventures is presented below:

<b>As at 31 March</b>	<b>2020 £m</b>	2019 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	25	25
Current assets	22	24
Current liabilities	(15)	(15)
Non-current liabilities	(10)	(14)
Group's share of net assets	22	20
Share of the revenue and expenses of the Group's joint ventures:		
Revenue	56	61
Expenses	(55)	(58)
Group's share of joint ventures' profit for the period after taxation	1	3
Dividends received	-	(3)
Group's share of retained results in the period	1	-

## E7. Notes to the financial statements

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

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
Summarised balance sheet information:		
Total assets	81	86
Total liabilities	(30)	(36)
Net assets	51	50
Group's share of net assets	16	16
Summarised income statement information:		
Revenue	274	252
Profit for the period	6	3
Group's share of associate's profit for the period after taxation	2	1
Dividends received	(2)	(5)
Group's share of retained results in the period	-	(4)

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

	<b>2020</b>	2019
	£m	£m
Group's share of joint ventures' profit for the period	1	3
Group's share of associates' profit for the period	2	1
Profit on disposal	-	3
Sale adjustment	-	(5)
Share of post-tax results of joint ventures and associates	3	2

### Company:

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost at 1 April 2019	4,522	4,863	9,385
Additions	1,242	220	1,462
Exchange rate movements	-	55	55
Reclassification following debt to equity conversion	5,138	(5,138)	-
Cost at 31 March 2020	10,902	-	10,902
Impairment as at 1 April 2019	4,522	1,619	6,141
Reclassification following debt to equity conversion	1,619	(1,619)	-
Impairment losses recognised in the period	862	-	862
Impairment as at 31 March 2020	7,003	-	7,003
<b>Net book value at 31 March 2020</b>	<b>3,899</b>	<b>-</b>	<b>3,899</b>
<b>Net book value at 31 March 2019</b>	<b>-</b>	<b>3,244</b>	<b>3,244</b>

During the year ended 31 March 2020, the company invested share capital of £6,380m in Tata Steel Netherlands Holdings BV which included a loan to equity conversion of £5,138m.

The Company's subsidiaries and investments are listed in Note 36 of the consolidated accounts.

The carrying values of the Company's investments are tested annually for impairment using an enterprise value ('EV') calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out into perpetuity. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, business disruption caused by the COVID-19 pandemic, and a discount rate of 8.0% (2019: 8.2%) except for UK entities where a discount rate of 8.8% (2019: 8.2%) has been used. Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The pre-tax discount rate is derived from the Group's WACC and the WACCs of its main European steel competitors adjusted

## E7. Notes to the financial statements

for country specific risks where appropriate. The outcome of the test at 31 March 2020 resulted in an impairment of £862m (2019: £nil) in the value of the Company's equity investment in Tata Steel Netherlands Holdings BV.

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's investment in Tata Steel Netherlands Holdings B.V. An increase in the discount rate used for impairment testing of 1% would result in an increase of £769m in the impairment charge recognised in 2020 in the Company's equity investment in Tata Steel Netherlands Holdings B.V.

### 11. Other investments

				2020	2019
	Loans and receivables £m	Sublease investments £m	Investments £m	Total £m	Total £m
Carrying value as at 31 March	10	-	14	24	33
IFRS 16 Adoption	-	31	-	31	-
Carrying value as at 1 April	10	31	14	55	33
Additions	-	2	-	2	3
Exchange rate differences	-	1	-	1	-
Disposals	(3)	(16)	-	(19)	(12)
Carrying value as at 31 March	7	18	14	39	24

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

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

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

	2020			2019		
	Fixed rate long-term financial assets £m	Floating rate long-term financial assets £m	Total £m	Fixed rate long-term financial assets £m	Floating rate long-term financial assets £m	Total £m
	Sterling	13	4	17	12	6
USD	16	-	16	-	-	-
Euros	6	-	6	4	2	6
	35	4	39	16	8	24
Disclosed as:						
Sublease Investments	18	-	18	-	-	-
Loans and receivables	7	-	7	8	2	10
Investments	10	4	14	8	6	14

	2020		2019	
	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	8.1	2.7	8.2	2.9

(ii) Maturities of sublease investments are as follows:

	Finance Leases		Operating Lease	
	2020 £m	2019 £m	2020 £m	2019 £m
As at 31 March				
Within one year	15	-	4	-
Between one and two years	3	-	-	-

## E7. Notes to the financial statements

Between two and three years	1	-	-	-
Less: future finance charges on leases	(1)	-	-	-
	<b>18</b>	<b>-</b>	<b>4</b>	<b>-</b>

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

As at 31 March	2020 £m	2019 £m
Within one year	-	1
Between two and five years	4	5
Greater than five years	5	-
No contractual maturity date	12	18
	<b>21</b>	<b>24</b>

## 12. Long term receivables

	2020 £m	2019 £m
Deferred proceeds on sale of business	19	28
	<b>19</b>	<b>28</b>

## 13. Deferred tax

	2020 £m	2019 £m
Deferred tax assets	121	65
Deferred tax liabilities	-	(1)
	<b>121</b>	<b>64</b>

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

2020	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2019	67	255	(329)	2	7	66	(4)	64
Credited/(charged) to income statement	76	101	(68)	1	28	39	(2)	175
Exchange rate movements	(1)	3	-	-	1	-	-	3
Charged/(credited) to other comprehensive income	-	-	(128)	-	-	-	7	(121)
<b>At 31 March 2020</b>	<b>142</b>	<b>359</b>	<b>(525)</b>	<b>3</b>	<b>36</b>	<b>105</b>	<b>1</b>	<b>121</b>
2019	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Inventory £m	Provisions £m	Interest £m	Other £m	Total £m
At 1 April 2018	23	334	(313)	2	10	33	(1)	88
Credited/(charged) to income statement	44	(77)	(27)	-	(3)	33	-	(30)
Exchange rate movements	-	(2)	-	-	-	-	2	-
Credited/(charged) to other comprehensive income	-	-	11	-	-	-	(5)	6
<b>At 31 March 2019</b>	<b>67</b>	<b>255</b>	<b>(329)</b>	<b>2</b>	<b>7</b>	<b>66</b>	<b>(4)</b>	<b>64</b>

Deferred tax assets of £121m (2019: £65m) have been recognised at 31 March 2020. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including TSUKH Board approved budgets and forecasts. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. Deferred tax assets have not been recognised in respect of total tax losses of £3,637m (2019: £3,493m). These losses comprise UK losses of £2,646m (2019: £2,591m) and non-UK losses of £991m (2019:

## E7. Notes to the financial statements

£902m). Included in unrecognised tax losses are losses of £25m (2019: £26m) that will expire within one year, £407m (2019: £298m) that will expire between one and five years, losses of £200m (2019: £192m) that will expire between five and ten years. Other losses may be carried forward indefinitely.

Deferred tax assets have also not been recognised in respect of deductible temporary differences and unused tax credits of £251m (2019: £255m), of which £166m (2019: £144m) will expire within the next 5 years and the remainder do not carry an expiry date. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £261m (2019: £233m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

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

During 2019 changes were also made in the Netherlands to alter the reduction in corporation tax rates, delaying and amending the reduction from 25%. These revised rates have been used in the calculation of the Dutch deferred tax assets and liabilities as at 31 March 2020.

### 14. Inventories

As at 31 March	2020 £m	2019 £m
Raw materials and consumables	452	533
Work in progress	432	492
Finished goods and goods for resale	491	490
	<b>1,375</b>	<b>1,515</b>

The value of inventories above is stated after impairment of £65m (2019: £42m) for obsolescence and write-downs to net realisable value.

### 15. Trade and other receivables

#### Group:

As at 31 March	2020 £m	2019 £m
Trade receivables	548	575
Less provision for impairment of receivables	(5)	(6)
	<b>543</b>	<b>569</b>
Amounts owed by other Group companies (Note 33)	3	9
Amounts owed by parent undertakings (Note 33)	19	37
Amounts owed by ultimate parent company (Note 33)	5	4
Amounts owed by joint ventures (Note 33)	3	8
Amounts owed by associates (Note 33)	9	-
Derivative financial instruments (Note 23)	71	20
Other taxation	22	15
External interest receivable	2	2
Prepayments	6	30
Deferred proceeds on sale of business	12	12
Other receivables	93	75
	<b>788</b>	<b>781</b>

## E7. Notes to the financial statements

(i) Trade receivables are further analysed as follows:

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

<b>As at 31 March 2019</b>	<b>Gross credit risk amount £m</b>	<b>Subject to credit insurance cover £m</b>	<b>Impairment provision made £m</b>	<b>Net credit risk amount £m</b>
Amounts not yet due	511	(479)	(1)	31
One month overdue	38	(34)	-	4
Two months overdue	7	(6)	-	1
Three months overdue	3	(2)	-	1
Greater than three months overdue	16	(5)	(5)	6
	<b>575</b>	<b>(526)</b>	<b>(6)</b>	<b>43</b>

The Group considers its maximum exposure to credit risk with respect to customers at 31 March 2020 to be £52m (2019: £43m), which is the fair value of trade receivables (after impairment provisions) less those that are subject to credit insurance cover as shown in the table above. The other classes of financial assets within trade and other receivables do not contain impaired assets. There is no concentration of credit risk with any particular customers. Credit risk management is discussed further in Note 23.

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

<b>As at 31 March</b>	<b>2020 £m</b>	<b>2019 £m</b>
At beginning of period	6	6
Impairments in the period – continuing operations (Note 2)	3	2
Amounts utilised, exchange rate and other movements	(4)	(2)
At end of period	<b>5</b>	<b>6</b>

<b>Company:</b>		
<b>As at 31 March</b>	<b>2020 £m</b>	<b>2019 £m</b>
Amounts owed by subsidiary undertakings	2	2
Interest owed by subsidiary undertakings	-	58
	<b>2</b>	<b>60</b>

Details of the Company's credit risk are not disclosed because the financial statements of TSUKH disclose such details on a consolidated basis. There was no impact recorded as a result of applying the ECL methodology under IFRS 9.

## E7. Notes to the financial statements

### 16. Current tax

	Assets £m	Liabilities £m
<b>2020</b>		
UK corporation tax	-	7
Overseas taxation	4	5
	4	12
<b>2019</b>		
UK corporation tax	1	8
Overseas taxation	4	3
	5	11

### 17. Cash and short-term deposits

As at 31 March	2020 £m	2019 £m
Cash at bank and in hand	126	115
Short-term deposits	12	12
<b>Cash and short-term deposits</b>	<b>138</b>	<b>127</b>

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

As at 31 March	2020			2019		
	Cash £m	Short-term deposits £m	Total £m	Cash £m	Short-term deposits £m	Total £m
Sterling	30	12	42	67	12	79
Euros	51	-	51	11	-	11
US Dollars	27	-	27	18	-	18
Other	18	-	18	19	-	19
	126	12	138	115	12	127
Floating interest rate	126	12	138	115	12	127

Short-term deposits are highly liquid investments with original maturities of three months or less. The weighted average interest rate across both these types of investment was 0.5% (2019: 0.6%). During each of the periods above cash earned interest based on LIBOR or other official local rates.

### 18. Borrowings

#### Group:

As at 31 March	2020 £m	2019 £m
Current:		
Inter-group:		
Amounts owed to immediate parent company (Note 33)	-	545
External:		
Bank loans	200	318
Bank overdrafts	5	6
Floating rate guaranteed Loan Notes	1	1
Revolving credit facility	-	601
Obligations under finance leases	62	14
	<b>268</b>	<b>1,485</b>



## E7. Notes to the financial statements

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
Non-current:		
Inter-group:		
Amounts owed to immediate parent company (Note 33)	-	4,413
Amounts owed to Group companies (Note 33)	-	129
	-	4,542
External:		
Bank loans	<b>1,427</b>	1,029
Obligations under finance leases	<b>197</b>	62
Capitalisation of transaction costs	<b>(50)</b>	(31)
	<b>1,574</b>	1,060
	<b>1,574</b>	5,602
<b>Total borrowings</b>	<b>1,842</b>	7,087

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

(i) The currency and interest exposure of gross borrowings of the Group at the end of the period is as follows:

<b>As at 31 March</b>	<b>2020</b>			2019		
	Fixed rate borrowings	Floating rate borrowings	Total	Fixed rate borrowings	Floating rate borrowings	Total
	£m	£m	£m	£m	£m	£m
Sterling	<b>130</b>	<b>200</b>	<b>330</b>	16	3,705	3,721
Euros	<b>98</b>	<b>1,427</b>	<b>1,525</b>	60	3,145	3,205
US Dollars	<b>26</b>	<b>1</b>	<b>27</b>	-	189	189
Other	<b>8</b>	<b>2</b>	<b>10</b>	-	3	3
Capitalisation of transaction costs	-	<b>(50)</b>	<b>(50)</b>	-	(31)	(31)
	<b>262</b>	<b>1,580</b>	<b>1,842</b>	76	7,011	7,087

	<b>2020</b>		2019	
	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed	Weighted average effective fixed interest rate	Weighted average time for which rate is fixed
	%	Years	%	Years
Sterling	<b>5.5</b>	<b>7.6</b>	7.8	2.1
Euros	<b>4.8</b>	<b>7.6</b>	5.0	4.9

The weighted average interest rate on current borrowings was 4.24% (2019: 3.36%) and on non-current borrowings was 2.89% (2019: 5.38%).

(ii) The maturity of borrowings is as follows:

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
In one year or less or on demand	<b>276</b>	1,488
Between one and two years	<b>52</b>	451
Between two and three years	<b>33</b>	5,015
Between three and four years	<b>26</b>	8
Between four and five years	<b>392</b>	136
More than five years	<b>1,288</b>	37
	<b>2,067</b>	7,135
Less: future finance charges on finance leases	<b>(47)</b>	(17)
Less: capitalisation of transaction costs	<b>(50)</b>	(31)

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Less: future release of debt modification credit	(128)	-
	<b>1,842</b>	<b>7,087</b>
Analysed as:		
Current liabilities	<b>268</b>	1,485
Non-current liabilities	<b>1,574</b>	5,602

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	£m	£m	£m	£m
Not later than one year	<b>69</b>	18	<b>62</b>	14
Later than one year but not more than five years	<b>137</b>	39	<b>108</b>	30
More than five years	<b>100</b>	36	<b>89</b>	32
	<b>306</b>	93	<b>259</b>	76
Less: future finance charges on finance leases	<b>(47)</b>	(17)	-	-
Present value of lease obligations	<b>259</b>	76	<b>259</b>	76

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

As at 31 March	2020	2019
	£m	£m
Between one and two years	-	100
Between two and three years	<b>133</b>	-

The Group's senior facility limits the amount of other uncommitted, unsecured credit facilities to €725m (2019: £430m) with a sub-limit of €355m (2019: £55m) for overdrafts, bill discounting, financial guarantees and other debt classed as such on the balance sheet.

Tata Steel Nederland B.V. ('TSN') has entered into a new Revolving Credit Facility ('RCF') during the year with a maximum availability of €150m. As of 31 March 2020 this remains undrawn.

(iv) The majority of the external borrowings of the Group are accounted for by the SFA which was successfully refinanced in February 2020. The transaction costs of £29m arising from the refinancing have been capitalised and are amortised over the term of the loan. The SFA is secured against the assets and shares of TSUK and the shares of TSNH. The SFA contains a financial covenant which sets an annual maximum capital expenditure level at the TSNH level and contains cash flow to debt service and debt tangible net worth covenants which are calculated at the TSL level. The SFA comprises the following term loans denominated in euros:

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

(v) On 30 September 2019, the parent company of TSUKH carried out a restructuring of TSUKH's inter-company debt via a conversion to equity. The outstanding debt (£5,229m) was settled via an issue of non-cash equity from Tulip UK Holdings No.3 to TSUKH..

In addition, on 3 February 2020, TSUKH received €153m (£129.5m) equity funding from Tulip UK Holdings No.3 to TSUKH which was used to enable TSNH to repay €150m of loan notes, and €3m interest on the loan notes, with the Tata Steel group company ABJA Investment Co. Pte Limited. Overall, these actions by the parent company improved the balance sheet of the Group by £5,359.

### Company:

As at 31 March	2020	2019
	£m	£m
Current:		
Inter-group:		
Amounts owed to immediate parent company (Note 33)	-	545
External:		
Floating rate guaranteed loan notes	<b>1</b>	1
	<b>1</b>	<b>546</b>

## E7. Notes to the financial statements

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
Non-current:		
Inter-group:		
Amounts owed to immediate parent company	-	4,413
	-	4,413

During the year the amounts owed to immediate parent company by the company were converted into equity as part of the transaction detailed in part (v).

### 19. Trade and other payables

#### Group:

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
Trade payables	765	775
Amounts owed to immediate parent company (Note 33)	4	4
Amounts owed to parent undertakings (Note 33)	194	238
Amounts owed to ultimate Parent company (Note 33)	1	1
Amounts owed to other Group companies (Note 33)	878	1,046
Amounts owed to associates (Note 33)	3	3
Other taxation and social security	55	59
Interest payable to immediate parent company (Note 33)	8	61
Interest payable to other Group companies (Note 33)	-	5
Interest payable to parent undertakings (Note 33)	1	1
Interest payable	6	6
Capital expenditure creditors	155	157
Derivative financial instruments (Note 23)	44	23
Advances from customers	6	10
Other payables	279	353
	<b>2,399</b>	<b>2,742</b>

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

#### Company:

<b>As at 31 March</b>	<b>2020</b>	2019
	£m	£m
Interest payable to immediate parent company	-	53
Amounts owed to subsidiary undertakings	11	10
	<b>11</b>	<b>63</b>

### 20. Pensions and post-retirement benefits

#### Defined contribution schemes

The Group participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Group at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contributions that were not due to be paid until after the end of the reporting period. The total cost charged to the income statement in 2020 amounted to £131m (2019: £126m). Of the total cost of £129m, £79m (2019: £77m) related to payments to the Stichting Pensioenfonds Hoogovens ('SPH') Pension Scheme which is the main scheme for historic and present employees in the Netherlands.

#### Defined benefit schemes

The Group operates a number of defined benefit pension and post-retirement schemes. Benefits offered by these schemes are largely based on pensionable pay and years of service at retirement. With the exception of certain unfunded arrangements, the assets of these schemes are held in administered funds that are legally separated from the Group. For those pension schemes set up under a trust, the trustees are required by law to act in the best interests of the schemes beneficiaries in accordance with the scheme rules and relevant pension legislation. The trustees are generally responsible for the investment policy with regard to the assets of the fund, after consulting with the sponsoring employer.

## E7. Notes to the financial statements

The Group accounts for all pension and post-retirement defined benefit arrangements using IAS 19 'Employee Benefits', with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to these schemes. The present value of the defined benefit obligation, the current service cost and past service costs are calculated by these actuaries using the projected unit credit method. However, the ongoing funding arrangements of each scheme, in place to meet their long-term pension liabilities, are governed by the individual scheme documentation and national legislation. The accounting and disclosure requirements of IAS 19 do not affect these funding arrangements.

During the year there has been past service credits of €4m recognised. This relates to pension restructuring activities in the pension scheme at Fischer Profil GmbH in Germany (€2m) and at Thomas Steel Strip Corporation in the USA (€2m).

There has also been a settlement of the defined benefit scheme in Tata Steel International Americas (Inc) as the scheme was closed and all assets and liabilities were transferred to the defined contribution plan. This settlement has resulted in no gain or loss being recognised as at the date of transfer there was no net surplus or deficit.

The principal defined benefit pension scheme of the Group at 31 March 2020 is the BSPS, which is the main scheme for historic and present employees based in the UK.

### BSPS

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

The BSPS and Open Trustee Limited ('OTL'), acting on behalf of the members of the old Scheme, hold an anti-embarrassment interest in TSUK agreed as part of the RAA. The anti-embarrassment interest was initially 33.33% at the time of the RAA but has since been diluted to less than 1% due to successive equity issuances by TSUK to its parent company Corus Group Limited. No value has been included in the BSPS's assets at 31 March 2020 (2019: £nil) for its interest in TSUK.

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

The weighted average duration of the scheme's liabilities at 31 March 2020 was 15 years (2019 15 years). On 26 October 2018 the High Court ruled that UK pension schemes would be required to equalise guaranteed minimum pensions ('GMP'). The ruling also provided guidance on how this equalisation should be undertaken. Following this ruling, TSE recognised in the prior year an increase of £50m to the BSPS liabilities in respect of the estimated impact of this equalisation with the related charge recognised in OCI. This reserve has been retained at the same value in the 31 March 2020 IAS 19 position.

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

## E7. Notes to the financial statements

### Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included in the balance sheet and income statement can vary significantly with only small changes in these assumptions. Furthermore the actuarial assumptions used may vary according to the country in which the plans are situated.

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

2020	BSPS %	Other %
Salary growth <sup>1</sup>	n/a	1.00 to 2.00
Pension increases <sup>2</sup>	1.72	0.00 to 1.75
Discount rate	2.45	0.30 to 3.20
Inflation	2.55	1.00 to 3.00

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

<sup>2</sup> Where applicable a CPI assumption of 1.72% has been applied within the BSPS.

2019	BSPS %	Other %
Salary growth <sup>3</sup>	n/a	1.00 to 2.00
Pension increases <sup>4</sup>	2.20	1.30 to 1.75
Discount rate	2.30	0.80 to 3.95
Inflation	3.20	1.00 to 3.00

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

<sup>4</sup> Where applicable a CPI assumption of 2.20% was applied within the BSPS.

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

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

### Sensitivities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 10bps	Decrease/increase by 1.4%
Inflation	Increase/decrease by 10bps	Increase/decrease by 1.0%
Mortality	1 year increase/decrease in life expectancy	Increase/decrease by 3.0%

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

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

### Income statement costs

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

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

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

## E7. Notes to the financial statements

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

Income statement pension costs arose as follows:

2020	BSPS £m	SPH £m	Other £m	Total £m
Current service cost	10	-	3	13
Pension restructuring costs	4	-	-	4
Past service credit	-	-	(4)	(4)
Net interest (income)/cost	(51)	-	2	(49)
Defined benefit schemes	(37)	-	1	(36)
Defined contribution schemes	45	79	5	129
<b>Total charge for the period</b>	<b>8</b>	<b>79</b>	<b>6</b>	<b>93</b>

2019	BSPS £m	SPH £m	Other £m	Total £m
Current service cost	15	-	3	18
Cost for setting up the new BSPS scheme	2	-	-	2
Net interest (income)/cost	(58)	-	3	(55)
Defined benefit schemes	(41)	-	6	(35)
Defined contribution schemes	44	77	5	126
<b>Total charge for the period</b>	<b>3</b>	<b>77</b>	<b>11</b>	<b>91</b>

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

	2020 £m	2019 £m
Pension costs (Note 4)	89	89
Exceptional pension items (Note 4)	4	-
Exceptional costs for setting up the new BSPS scheme borne by the scheme (Note 4)	-	2
Exceptional costs for setting up the new BSPS scheme borne directly by the Company (Note 4)	3	2
<b>Total charge for the period</b>	<b>96</b>	<b>93</b>

### 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 was as follows:

2020	BSPS %	Other %
<b>Quoted:</b>		
Equities – UK Entities	0.4	0.00
Equities – Non-UK Entities	3.5	53.2
Bonds – Fixed Rate	68.8	17.9
Bonds – Index Linked	29.5	0.0
Other	0.3	4.0
	<b>102.5</b>	<b>75.1</b>
<b>Unquoted:</b>		
Real estate	11.2	8.7
Derivatives	(16.2)	0.0
Cash and cash equivalents	1.8	11.7
Other	0.7	4.5
	<b>(2.5)</b>	<b>24.9</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## E7. Notes to the financial statements

2019	BSPS %	Other %
<b>Quoted:</b>		
Equities – UK Entities	0.6	-
Equities – Non-UK Entities	7.0	52.2
Bonds – Fixed Rate	50.1	23.2
Bonds – Index Linked	28.3	-
Other	0.3	3.4
	<b>86.3</b>	<b>78.8</b>
<b>Unquoted:</b>		
Real estate	12.5	7.5
Derivatives	(1.0)	-
Cash and cash equivalents	1.4	10.5
Other	0.8	3.2
	<b>13.7</b>	<b>21.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Balance sheet measurement

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

- Pension scheme assets are measured at fair value (for example for quoted securities this is the bid-market value on the relevant public exchange).
- Pension liabilities include future benefits that will be paid to pensioners and deferred pensioners, and accrued benefits which will be paid in the future for members in service taking into account projected earnings. As noted above, the pension liabilities are discounted with reference to the current rate of return on AA rated corporate bonds of equivalent currency and term to the pension liability.

Amounts recognised in the balance sheet arose as follows:

2020	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,628	91	<b>10,719</b>
Present value of obligation	(7,712)	(220)	<b>(7,932)</b>
<b>Defined benefit asset/(liability) at end of period</b>	<b>2,916</b>	<b>(129)</b>	<b>2,787</b>
Disclosed as:			
Defined benefit asset	2,916	-	<b>2,916</b>
Defined benefit liability – current	-	(1)	<b>(1)</b>
Defined benefit liability – non-current	-	(128)	<b>(128)</b>
Arising from:			
Funded schemes	2,916	(44)	<b>2,872</b>
Unfunded schemes	-	(85)	<b>(85)</b>
<hr/>			
2019	BSPS £m	Other £m	Total £m
Fair value of plan assets	10,598	95	<b>10,693</b>
Present value of obligation	(8,393)	(220)	<b>(8,613)</b>
<b>Defined benefit asset/(liability) at end of period</b>	<b>2,205</b>	<b>(125)</b>	<b>2,080</b>
Disclosed as:			
Defined benefit asset	2,205	-	<b>2,205</b>
Defined benefit liability – current	-	(6)	<b>(6)</b>
Defined benefit liability – non-current	-	(119)	<b>(119)</b>
Arising from:			
Funded schemes	2,205	(50)	<b>2,155</b>
Unfunded schemes	-	(75)	<b>(75)</b>

## E7. Notes to the financial statements

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

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

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

Included within other schemes above are post-retirement medical and similar net obligations of £5m (2019: £6m).

<b>2019</b>	<b>BSPS £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>Plan assets:</b>			
As at 1 April 2018	11,205	92	<b>11,297</b>
Interest income on plan assets	284	3	<b>287</b>
Return on plan assets greater/(less than) than the discount rate	264	(3)	<b>261</b>
Contributions from the employer	-	5	<b>5</b>
Benefits paid	(1,155)	(8)	<b>(1,163)</b>
Exchange rate movements	-	6	<b>6</b>
<b>As at 31 March 2019</b>	<b>10,598</b>	<b>95</b>	<b>10,693</b>
<b>Defined benefit obligations:</b>			
As at 1 April 2018	8,976	218	<b>9,194</b>
Current service cost	15	3	<b>18</b>
Costs of setting up new BSPS scheme	2	-	<b>2</b>
Interest cost on the defined benefit obligation	226	6	<b>232</b>
Actuarial loss due to actuarial experience	47	3	<b>50</b>
Actuarial loss due to financial assumption changes	411	6	<b>417</b>
Actuarial gain due to demographic assumption changes	(129)	-	<b>(129)</b>
Benefits paid	(1,155)	(11)	<b>(1,166)</b>
Exchange rate movements	-	8	<b>8</b>
Disposal of group company	-	(13)	<b>(13)</b>



## E7. Notes to the financial statements

<b>As at 31 March 2019</b>	8,393	220	<b>8,613</b>
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Actuarial gains recorded in the statement of comprehensive income for the period were £666m (2019: losses of £77m).

### 21. Provisions for liabilities and charges

	Rationalisation costs (i) £m	Insurance (ii) £m	Employee benefits (iii) £m	Other (iv), (v) £m	Total 2020 £m	Total 2019 £m
As at 31 March	29	73	58	123	<b>283</b>	385
Adoption of IFRS 16	(8)	-	-	-	<b>(8)</b>	-
As at 1 April	21	73	58	123	<b>275</b>	385
Charged to income statement	47	-	1	59	<b>107</b>	159
Released to income statement	(5)	(8)	(2)	(18)	<b>(33)</b>	(194)
Utilised in period	(25)	(4)	1	(38)	<b>(66)</b>	(64)
Disposal of Group undertakings	-	-	-	-	-	(1)
Exchange rate movements	(1)	-	2	3	<b>4</b>	(2)
<b>At end of period</b>	<b>37</b>	<b>61</b>	<b>60</b>	<b>129</b>	<b>287</b>	283
Analysed as:						
Current liabilities					<b>85</b>	69
Non-current liabilities					<b>202</b>	214

(i) Rationalisation costs include redundancy provisions as follows:

	2020 £m	2019 £m
At beginning of period	<b>3</b>	1
Charged to income statement	<b>32</b>	5
Utilised during the period	<b>(17)</b>	(3)
<b>At end of period</b>	<b>18</b>	3

	2020 £m	2019 £m
Other rationalisation provisions arise as follows:		
Onerous lease payments relating to unutilised premises	<b>6</b>	15
Environmental and other remediation costs at sites subject to restructuring/closure	<b>13</b>	9
Other	-	4
	<b>19</b>	28

Although the precise timing in respect of utilising the redundancy provisions is not known, the majority is expected to be incurred within one year. At 31 March 2020 the rationalisation provision included £5m (2019: £15m) in respect of onerous leases on a discounted basis. This provision would have amounted to £5m (2019: £15m) on an undiscounted basis. The outstanding term on these leases ranges between 1 and 13 years.

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

(ii) The insurance provisions currently held by the Group cover its historical liability risks, including those covered by its captive insurance company (Crucible Insurance Company Limited) in respect of its retrospective hearing impairment policy and those for which it is now responsible for under its current insurance arrangements. The provisions include a suitable amount in respect of its known outstanding claims and an appropriate amount in respect of liabilities that have been incurred but not yet reported. The provisions are subject to regular review and are adjusted as appropriate. The value of the final insurance settlements is uncertain and so is the timing of the expenditure.

(iii) Provisions for employee benefits include long-term benefits such as long service and sabbatical leave, disability benefits and sick leave. All items are subject to independent actuarial assessments.

iv) Other provisions include environmental provisions of £73m (2019: £27m), early retirement provisions of £24m (2019: £23m), product warranty claims of £6m (2019: £7m) and potential customer claims of £4m (2019: £20m). The timing in respect of utilising these provisions is uncertain.

(v) During the year a net release of £11m was included in Other provisions in respect of potential customer claims (net charge in 2019: £5m). This release has been disclosed as an exceptional item within the income statement (see Note 2).

## E7. Notes to the financial statements

### 22. Other non-current liabilities

As at 31 March	2020	2019
	£m	£m
Other creditors	5	9
	5	9

As at 31 March	2020	2019
	£m	£m
An analysis of other creditors by currency is set out below:		
Sterling	4	7
Euros	1	2
	5	9

Other creditors, which predominantly relate to long-term insurance liabilities, are due for repayment within five years and are not subject to interest.

#### Company:

As at 31 March	2020	2019
	£m	£m
Other creditors	-	7
Stock loan	521	499
	521	506

### 23. Financial instruments and risk management

#### (i) Capital risk management

The Group manages its capital with the aim of ensuring that the entities in the Group are able to continue as a going concern. Further details are included in the basis of preparation on page 40. The Group's overall category risk strategy remains unchanged from 2019. The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 18, after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Net debt has decreased in the year to £1,704m at 31 March 2020 from £6,960m at 31 March 2019 (Note 31) mainly due to a decrease of £5,087 to inter-group debt as a result of debt to equity conversions as well as a reduction of £158m to external debt and an increase of £11m to cash and short term deposits.

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

As at 31 March	2020	2019
	£m	£m
<b>Financial assets:</b>		
Loans and receivables:		
Other investments (Note 11)	7	10
Long term receivables (Note 12)	18	28
Trade receivables (Note 15)	543	569
Other receivables <sup>1</sup> (Note 15)	146	147
Cash and short-term deposits (Note 17)	138	127
	852	881
<b>Financial liabilities:</b>		
Financial liabilities held at amortised cost:		
Trade and other payables <sup>2</sup> (Note 19)	(2,294)	(2,650)
Current borrowings (Note 18)	(268)	(1,485)
Non-current borrowings (Note 18)	(1,574)	(5,602)
Other non-current liabilities (Note 22)	(5)	(9)
	(4,141)	(9,746)
	(3,289)	(8,865)

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

<sup>2</sup> Excludes other taxation and social security, derivatives and advances from customers

## E7. Notes to the financial statements

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values except for current and non-current borrowings. The fair values of these are £264m (2019: £1,460m) and £1,519m (2019: £5,328m) respectively. The fair value of borrowings would be classified as Level 3 within the fair value hierarchy. The fair value is based on discounted cash flows and reflects the credit risk of counterparties.

(iii) Fair value measurements recognised in the balance sheet

The following table categorises the Group's financial instruments held at fair value by the valuation methodology applied in determining this value. Where possible, quoted prices in active markets for identical assets and liabilities are used (Level 1 and this includes the Group's holdings of listed investments). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data (this includes the Group's forward currency, commodity contracts and interest rate swaps). The Group's derivative financial assets and liabilities are also categorised as Level 2 and their valuation is based on future cash flows (estimated from observable data such as forward exchange rates and yield curves) which are, where material, discounted at a rate which reflects the credit risk of counterparties. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3.

As at 31 March	2020			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial assets (Note 15)	-	71	-	71
Investments (Note 11)	-	-	14	14
	-	71	14	85
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial liabilities (Note 19)	-	(44)	-	(44)
	-	(44)	-	(44)

As at 31 March	2019			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Financial assets at fair value through other comprehensive income:</b>				
Derivative financial assets (Note 15)	-	20	-	20
Investments (Note 11)	-	-	14	14
	-	20	14	34
<b>Financial liabilities at fair value through other comprehensive income:</b>				
Derivative financial liabilities (Note 19)	-	(23)	-	(23)
	-	(23)	-	(23)

There were no transfers between any of the levels during the periods presented above.

(iv) Financial risk management

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage risks arising from those operations. The principal financial risks to which the Group is exposed are those of foreign exchange, commodity, interest rate and liquidity which are largely managed by the centralised Group treasury functions whose activities are governed by policies and procedures approved by the TSE Executive committee. The TSE Treasury committee meet at least quarterly to review activities and to monitor treasury performance against policies.

(a) Market risk: foreign exchange risk and management

At 31 March 2020, the Group had £1,842m (2019: £7,087m) in borrowings, of which £1,475m (2019: £3,174m) net of capitalised transaction costs of £50m (2019: £31m) is denominated in euros, £330m (2019: £3,721m) is denominated in sterling, £27m (2019: £189m) is denominated in US dollars, and £10m (2019: £3m) is denominated in other currencies. As described in Note 18, the majority of the Group's borrowings relate to the SFA and is held by the euro-denominated subsidiary company Tata Steel Netherlands Holdings BV ('TSNH'). As at 31 March 2020, to reduce the Group's exposure to foreign exchange risk, all the US dollar borrowings had been covered by a euro short-term forward rate agreement.

It is the Group's policy that substantially all the net currency transaction exposure arising from contracted sales and purchases over an approximate 6-month time horizon is covered by selling or purchasing foreign currency forwards. At 31 March 2020, the Group held forward currency sales of principally Euros and US dollars amounting to £645m (2019: £361m) and purchases of principally Euros, GBP and US dollars amounting to £1,589m (2019: £2,083m).

A 10% appreciation of sterling at 31 March 2020 would increase the Group's net assets by approximately £127m (2019: £303m), increase equity by approximately £127m (2019: £303m) and decrease operating profit by approximately £nil (2019: £nil). This

## E7. Notes to the financial statements

sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in net debt and finance lease obligations which do not present a material exposure.

### (b) Market risk: commodity risk and management

The Group makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Across the Group, forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices.

At 31 March 2020, a 10% appreciation of market prices would increase the Group's equity by approximately £9m (2019: £7m). There was no significant market risk relating to the income statement since the majority of commodity derivatives are treated as cash flow hedges with movements being reflected in equity and the timing and recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

### (c) Market risk: interest risk and management

The objective of the Group's interest risk management is to reduce its exposure to the impact of changes in interest rates in the currencies in which debt is borrowed.

Based on the composition of net debt at 31 March 2020, a 100 basis points increase in interest rates over the 12-month period would increase the Group's net finance expense by approximately £16m (2019: £70m) and decrease equity by approximately £12m (2019: £52m).

### (d) Credit risk

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

Individual operating units are responsible for controlling their own credit risk arising from the Group's normal commercial operations, although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposure to key customers and those where known risks have arisen or persist. Any impairment to the recoverability of debtors is reflected in the income statement.

Credit risk also arises from the possible failure of counter-parties to meet their obligations under currency and commodity hedging instruments, and interest rate swaps. However, counter parties are established banks and financial institutions with high credit ratings and the Group continually monitors each institution's credit quality and limits as a matter of policy the amount of credit exposure to any one of them. The Group's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. The Group believes that the risk of incurring such losses is remote and underlying principal amounts are not at risk.

### (e) Liquidity risk

The management of liquidity risk is co-ordinated and controlled centrally by the Group's treasury operations. Liquidity risk is managed by maintaining access to a level of committed and uncommitted borrowing facilities to ensure liquidity is appropriate to forecasted cash flows to satisfy general corporate or working capital requirements. As shown in Note 19(iii), the total undrawn committed borrowing facilities at 31 March 2020 is £133m (2019: £100m).

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

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Group's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the end of the reporting period. Cash flows in foreign currencies are translated using the period end spot rates at 31 March 2020.

As at 31 March	2020			
	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m
<b>Non-derivative financial liabilities:</b>				
Trade and other payables <sup>1</sup>	(2,294)	(2,294)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Finance lease obligations	(306)	(69)	(137)	(100)
Bank and other loans	(1,988)	(243)	(526)	(1,219)
Other creditors	(5)	(2)	(3)	-
Bank overdraft	(4)	(4)	-	-
	<b>(4,598)</b>	<b>(2,613)</b>	<b>(666)</b>	<b>(1,319)</b>

## E7. Notes to the financial statements

### Derivative financial liabilities:

#### Foreign currency contracts:

Payables	(2,181)	(2,181)	-	-
Receivables	2,230	2,230	-	-
Commodity contracts	(22)	(22)	-	-
Forward rate agreement				
Payables	(731)	(731)	-	-
Receivables	731	731	-	-
	27	27	-	-

<b>Total financial liabilities</b>	<b>(4,571)</b>	<b>(2,586)</b>	<b>(666)</b>	<b>(1,319)</b>
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<sup>1</sup> Excludes other taxation and social security, derivatives and advances from customers.

### As at 31 March

2019

	Contractual cashflows	Less than 1 year	Between 1 – 5 years	More than 5 years
	£m	£m	£m	£m

### Non-derivative financial liabilities:

Trade and other payables <sup>1</sup>	(2,650)	(2,650)	-	-
Floating rate guaranteed loan notes	(1)	(1)	-	-
Finance lease obligations	(93)	(18)	(39)	(36)
Bank and other loans	(7,849)	(1,516)	(6,333)	-
Other creditors	(9)	(9)	-	-
Bank overdraft	(6)	(6)	-	-
	(10,608)	(4,200)	(6,372)	(36)

### Derivative financial liabilities:

#### Foreign currency contracts:

Payables	(2,459)	(2,459)	-	-
Receivables	2,444	2,444	-	-
Commodity contracts	10	10	-	-
Forward rate agreement				
Payables	(186)	(186)	-	-
Receivables	188	188	-	-
	(3)	(3)	-	-

<b>Total financial liabilities</b>	<b>(10,611)</b>	<b>(4,203)</b>	<b>(6,372)</b>	<b>(36)</b>
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<sup>1</sup> Excludes other taxation and social security, derivatives and advances from customers.

### (v) Derivative financial instruments

Derivative financial instruments used by the Group include forward exchange contracts, commodity contracts and interest rate swaps. These financial instruments are utilised to hedge significant future transactions and cash flows, and, in most cases, these are subject to hedge accounting under IFRS 9. The Group does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

The following table sets out the fair values of derivatives held by the Group at the end of the reporting period:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
<b>Current:</b>				
Foreign currency contracts	59	(10)	9	(23)
Commodity contracts	1	(23)	10	-
Forward rate agreements	11	(11)	1	-
	71	(44)	20	(23)
	71	(44)	20	(23)

## E7. Notes to the financial statements

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

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

	Foreign currency contracts £m	Commodity contracts £m	Taxation £m	2019 £m
Cash flow hedge reserve net of taxation at beginning of period	(8)	4	1	(3)
Fair value recognised	13	6	(5)	14
Non-controlling interest movement	-	(1)	-	(1)
Cash flow hedge reserve net of taxation at end of period	5	9	(4)	10

At the end of the reporting period the total notional amount of outstanding foreign currency, commodity contracts and interest rate swaps that the Group has committed to are as follows:

	2020 £m	2019 £m
Foreign currency contracts	2,235	2,415
Commodity futures and options	175	83
Forward rate agreements	777	189

There was no significant ineffectiveness on cash flow hedges recognised in the income statement in 2020 (2019: £nil).

### 24. Deferred income

	Grants relating to revenue £m	Grants relating to property, plant & equipment £m	2020 £m	2019 £m
At 1 April	1	6	7	10
Exchange rate movements	-	-	-	(1)
Released to income statement	-	(1)	(1)	(1)
Disposal of group undertaking	-	-	-	(1)
Reclassification	1	-	1	-
At 31 March	2	5	7	7

### 25. Called up share capital

#### Group and Company:

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

	2020 £m	2019 £m
<b>Authorised, allotted and fully paid</b>		
9,968,065,149 (2019: 3,497,479,296) ordinary shares of £1 each	9,968	3,497

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

## E7. Notes to the financial statements

### Company reconciliation of share capital and equity:

	Ordinary share capital £m	Share premium £m	Profit and loss reserves £m	Total £m
At 1 April 2019	3,497	450	(6,171)	(2,224)
New shares issued – conversion of subordinated loan to equity	5,229	-	-	5,229
New shares issued – refinancing of SFA facility	443	-	-	443
New shares issued – refinancing of intra-group loans and facilities	229	-	-	229
New shares issued – others	570	-	-	570
Loss for the year	-	-	(879)	(879)
<b>At 31 March 2020</b>	<b>9,968</b>	<b>450</b>	<b>(7,050)</b>	<b>3,368</b>

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

	Ordinary share capital £m	Share premium £m	Profit and loss reserves £m	Total £m
At 1 April 2018	3,497	450	(6,124)	(2,177)
Loss retained	-	-	(47)	(47)
<b>At 31 March 2019</b>	<b>3,497</b>	<b>450</b>	<b>(6,171)</b>	<b>(2,224)</b>

### 26. Future capital expenditure

	2020 £m	2019 £m
Contracted but not provided for	201	296
Authorised but contracts not yet placed	158	143

At the end of the period there was £5m (2019: £10m) of future expenditure planned in relation to intangible assets.

### 27. Operating leases

	2020 £m	2019 £m
Future minimum sub-lease receipts for the Group at the end of the period are:		
Not later than one year	3	14
Later than one year and not later than five	7	14
	<b>10</b>	<b>28</b>

### 28. Contingencies

	2020 £m	2019 £m
Guarantees given under trade agreements	23	25
Others	22	35

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

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

## E7. Notes to the financial statements

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

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

	2020 £m	2019 £m
Loss after taxation	(660)	(472)
<i>Adjustments for:</i>		
Taxation	(174)	35
Depreciation and amortisation including impairment items (net of grants released)	546	244
(Profit) on disposal of property, plant and equipment and Group companies	(22)	(28)
Finance income	(137)	(5)
Finance expense	358	488
Share of post tax results of joint ventures and associates	(4)	(2)
Movement in pensions and post-retirement benefits	(45)	(42)
Movement in provisions for impairments of trade receivables	(1)	1
Movement in insurance and other provisions	14	(42)
Movement in spares	(18)	(16)
Movement in inventories	152	(47)
Movement in receivables	5	112
Movement in payables	(283)	191
Net rationalisation costs provided	41	7
Utilisation of rationalisation provisions	(26)	(9)
<b>Net cash flow generated from operations</b>	<b>(254)</b>	<b>415</b>

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

	2020 £m	2019 £m
Movement in cash and cash equivalents	11	32
Movement in total debt excluding bank overdrafts	421	(197)
Change in net debt resulting from cash flows in period	432	(165)
Exchange rate movements	(106)	44
Fair value of forward rate agreements	-	-
Other non cash changes	4,930	(345)
Movement in net debt in period	5,256	(466)
Net debt at beginning of period	(6,960)	(6,494)
<b>Net debt at end of period</b>	<b>(1,704)</b>	<b>(6,960)</b>

### 31. Analysis of net debt

	1 April 2019 £m	Cash flow £m	Exchange rate movements £m	Other non- cash movements £m	31 March 2020 £m
Cash and short-term deposits	127	8	3	-	138
Bank overdrafts	(6)	3	(2)	-	(5)
<b>Cash and cash equivalents</b>	<b>121</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>133</b>
Other non-current borrowings	(5,540)	(372)	(89)	4,625	(1,376)
Bank/other loans and loan notes	(1,465)	725	(16)	555	(201)
Obligations under finance leases	(76)	68	(2)	(250)	(260)
<b>Total debt excluding bank overdrafts</b>	<b>(7,081)</b>	<b>421</b>	<b>(107)</b>	<b>4,930</b>	<b>(1,837)</b>
	(6,960)	432	(106)	4,930	1,704



## E7. Notes to the financial statements

The other non-cash movements in respect of non-current borrowings relate to the rolling up of interest of £172m into principal in respect of the loans from the parent company (2019: £226m) and £15m of loan transaction costs amortised during the year (2019: £12m). These movements are offset by £130m of interest credit as a result of the SFA debt modification (2019:nil), £29m of new capitalised transaction costs (2019:nil), £4m of borrowings disposed of as part of subsidiary divestments and offset by £4,651m restructuring of subordinated loans from immediate parent company Tulip UK Holdings No 3 Limited..

The other non-cash movements in respect of Bank/other loans and loan notes also includes £555m due to the restructuring of subordinated loans from the immediate parent company (2019:nil).

The other non-cash movements in respect of obligations under finance leases comprises £174m due to adoption of IFRS 16 and £92m of additions of new lease contracts (2019:£2m). This is offset by £16m of lease liabilities disposed of as part of subsidiary divestments.

### 32. Disposal of group undertakings

On 1 July 2019, the Group disposed of its Firsteel business to William King Ltd.

On 20 September 2019, the Group disposed of its subsidiary Cogent Power Inc to JFE Shoji Trade Corporation.

The following subsidiaries completed liquidation during the year, and were subsequently dissolved:

Automotive Laser Technologies Limited (Dissolved 16 April 2019)  
 Beheermaatschappij Industriële Producten B.V (Dissolved 27 December 2019)  
 British Tubes Stockholding Limited (Dissolved 16 April 2019)  
 Corus Primary Aluminium B.V. (Dissolved 27 December 2019)  
 Corus Steel Service STP LLC (Dissolved 12 February 2020)  
 Corus Ukraine LLC (Dissolved 4 March 2020)  
 CPN (85) Limited (Dissolved April 2019)  
 Esmil (Dissolved 14 November 2019)  
 Harrowmills Properties Limited (Dissolved 16 April 2019)  
 Midland Steel Supplies Limited (Dissolved 9 May 2019)  
 Tata Steel International (Canada) Holdings Inc (Dissolved 31 March 2020)  
 Tata Steel International (Finland) (Dissolved 5 March 2020)  
 Tata Steel Nederland Star-Frame B.V. (Dissolved 27 December 2019)

During the year, the Group entered 61 of its subsidiaries into liquidation, which were still in liquidation as at 31 March 2020. As a result of de-recognising the assets and liabilities of these subsidiaries, the Group has made a profit on disposal of £5m. Further details of these liquidations can be found on Note 35.

(i) The net liabilities disposed were as follows:

<b>2020</b>	£m
Property, plant and equipment	13
Inventories	17
Trade and other receivables	20
Cash and bank balances	2
Trade and other payables	(26)
Short term borrowings	(4)
Long term borrowings	(16)
<b>Net assets disposed</b>	<b>6</b>
Gross consideration	30
Foreign exchange recycled to the income statement	2
Intercompany loan adjustments	(4)
Transaction fees and other adjustments	(1)
<b>Profit on disposal</b>	<b>21</b>

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

	£m
Gross consideration	30
Less: cash and cash equivalents disposed of	(2)
<b>Net cash flow</b>	<b>28</b>

## E7. Notes to the financial statements

### 33. Related party transactions

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

	2020 £m	2019 £m
<b>Amounts reported within the consolidated income statement:</b>		
Sales to joint ventures	63	75
Sales to associates	105	130
Sales to other Group companies	20	46
Other operating income with parent undertakings	3	13
Other operating income with ultimate parent company	1	3
Other operating income with other Group companies	2	3
Purchases from associates	31	32
Purchases from ultimate parent company	4	2
Purchases from parent undertakings	113	155
Purchases from other Group companies	1,735	1,804
Interest on loans from immediate parent company (Note 5)	139	246
Interest on loans from parent undertakings (Note 5)	7	8
Interest on loans from other Group companies (Note 5)	61	63
Discount on disposal of trade receivables within purchase agreement with Group company (Note 5)	48	71
<b>Amounts reported within the Consolidated balance sheet:</b>		
Amounts owed by joint ventures (Note 15)	3	8
Amounts owed by associates (Note 15)	9	-
Amounts owed by parent undertakings (Note 15)	19	37
Amounts owed by ultimate parent company (Note 15)	5	4
Amounts owed by other Group companies (Note 15)	3	9
Amounts owed to associates (Note 19)	3	3
Amounts owed to immediate parent company (Note 19)	4	4
Amounts owed to parent undertakings (Note 19)	194	238
Amounts owed to ultimate parent company (Note 19)	1	1
Amounts owed to other Group companies (Note 19)	878	1,046
Interest payable to immediate parent company (Note 19)	8	61
Interest payable to parent undertakings (Note 19)	1	1
Interest payable to other Group companies (Note 19)	-	5
Loans owed to immediate parent company (Note 18)	-	4,958
Loans owed to other Group companies (Note 18)	-	129

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

#### *Proco and Proco Issuer*

(a) During 2010/11, an arrangement for extended payment terms was reached between TSUKH, Proco and certain raw material suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by Proco. During 2011/12, this was extended to include a further arrangement whereby Proco acts as principal within certain supply agreements (e.g. raw material and associated freight). Under this arrangement, Proco makes the payment to the supplier when due and then Proco provides the extended credit terms to TSUKH in return for an increase in purchase price. As at 31 March 2020 £847m (2019: £930m) was owed to Proco under these arrangements collectively, with total financing costs in the period of £52m (2019: £52m). Total purchases in the year in relation to this agreement were £1,729m (2019: £1,720m).

(b) A non-recourse securitisation arrangement is in place with Proco Issuer whereby it purchases certain trade receivables from TSUKH in the UK, Sweden and Spain. The purchase price of these transactions is set with reference to the carrying value of the underlying receivables less a default deduction and a discount charge, with the receivables de-recognised by the applicable TSUKH Group member at the time of sale to Proco Issuer and a discount on disposal (representing the default deduction and discount charge) recognised at the same time. The discount on disposal for the period to March 2020 amounted to £48m (2019:

## E7. Notes to the financial statements

£71m). During the year TSE recognised £3m (2019: £4m) of servicing income with Proco which reflects the administration costs incurred by TSUKH for collecting the debtors on behalf of Proco. As at 31 March 2020 £nil (2019: £100m) was owed to Proco Issuer under this arrangement. This is due to the fact that this arrangement was fully unwound on 26 March 2020 by TSUKH repurchasing all outstanding receivables at this date at their market value.

### TSE

During 2019/20, TSUKH entered into a number of arrangements with TSE. These were as follows:

(a) The procurement of insurance and energy from external suppliers for onward sale by TSE to TSUKH on extended credit terms.

(b) An arrangement for extended payment terms was reached between TSUKH, TSE and certain suppliers where the supplier agrees to extend the payment terms in return for an increase in the purchase price, which extension and increase are maintained only if the applicable receivable is purchased from the supplier by TSE.

As at 31 March 2020 £105m (2019: £133m) was owed to TSE under these arrangements collectively, with total financing costs in the period of £7m (2019: £8m).

### ABJA Investment Co. Pte Limited (ABJA)

During the December 2013 quarter, and the March 2014 quarter Tata Steel Netherlands Holdings BV issued unsecured loan notes both with value of £63m (€75m) to ABJA, redeemable on 2 May 2023. The notes were interest bearing at an arm's length rate, which is payable on a semi-annual basis. The cumulative finance costs for these notes were £9m (2019: £11m) in the year. These unsecured loan notes were fully repaid by TSUKH on 3 February 2020.

### Tata Sons

There is also a branding fee payable to Tata Sons under a brand equity and business promotion agreement, based on net income and profit before tax, with £nil being payable for 2020 (2019: £9m).

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

	2020 £m	2019 £m
Short-term employee benefits	4	5
Other long term benefits	1	-
	5	5

## 34. Events after the reporting period

On 19 June 2020 TSUKH received £200m loan from its parent undertaking, Tata Steel Europe. TSUKH used the proceeds to repay an existing external loan of the same amount.

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

During August 2020, an invoice securitisation programme for TSN was implemented.

On 13 November 2020, TSL announced it had entered into discussions with SSAB AB regarding the potential sale of its Tata Steel Netherlands business. This potential transaction would involve the sale of a number of the company's subsidiaries. The potential transaction is currently going through a due diligence process and no further decisions or announcements have yet to be made.

## 35. Ultimate and immediate parent company

Tulip UK Holdings No.3 Limited is the company's immediate parent company, which is incorporated and registered in the UK. TSE is the intermediate holding company, which is incorporated and registered in the UK, and is the smallest group to consolidate these financial statements.

Tata Steel Limited, 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 TSL may be obtained from its registered office at Bombay House, 24 Homi Mody Street, Mumbai, 400 001.

## E7. Notes to the financial statements

### 36. Subsidiaries and investments

The subsidiary undertakings, joint ventures and associates of the Group at 31 March 2020 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation.

#### Subsidiary undertakings

*Steel producing, further processing or related activities:*

<b>Belgium</b>	
Société Européenne de Galvanisation (Segal) Sa (ii) (iii)	Chassée de Ramioul 50, Flemalle, Ivoz Ramet, 4400, Belgium
Tata Steel Belgium Packaging Steels N.V. (ii) (iii)	Walemstraat 38, Duffel, 2570, Belgium
Tata Steel Belgium Services N.V. (ii) (iii)	Coremansstraat 34, Berchem, 2600, Belgium
<b>Brazil</b>	
Tata Steel International (South America) Representacoes Limited (ii) (iii)	Santiago & Amboulos Advogados, Av. Rio Branco, 45 - 10 <sup>o</sup> andar - Grupo 1013, Centro - Rio de Janeiro - R.J. CEP: 20090-003
<b>Czech Republic</b>	
Tata Steel International (Czech Republic) S.R.O (ii) (iii)	Praha 2, Mala Stepanska 9, 120 00, Czech Republic
<b>Denmark</b>	
Tata Steel Denmark Byggsystemer A/S (xv)	Kaarsbergsvej 2, Postbox 136, Ebeltoft, DK 8400, Denmark
Tata Steel International (Denmark) A/S (xv)	Frederiksborgvej 23, DK-3520 Farum, Denmark
<b>Finland</b>	
Naantali Steel Service Centre OY (ii) (iii)	Rautakatu 5, 21110 Naantali, Finland
<b>France</b>	
Cbs Investissement SAS (ii) (iii) (xv)	Rue Geo Lufbery, Chauny, 02300, France
Inter Metal Distribution (I.M.D.) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
SCI Corbeil Les Rives (67.31%) (ii) (iii)	Rue Decauville, Corbeil Essonnes, 91100, France
Tata Steel France Bâtiment et Systèmes SAS (ii) (iii)	Rue Geo Lufbery, BP 103, Chauny, 02300, France
Tata Steel France Holdings SAS (ii) (iii)	3, Allee des Barbanniers, Gennevilliers, 92632, France
Tata Steel International (France) SAS (ii) (iii)	3 Allee des Barbanniers, Gennevilliers, 92230, France
Tata Steel Maubeuge SAS (ii) (iii)	22, Avenue Abbé Jean de Béco, Louvroil, 59720, France
Unitol SAS (ii) (iii)	1 Rue Fernand Raynaud, Corbeil Essonnes, 91814, France
<b>Germany</b>	
Catnic GmbH (ii) (iii)	Am Leitzelbach 16, Sinsheim, 74889, Germany
Degels GmbH (ii) (iii)	Königsberger Strasse 25, Neuss, 41460, Germany
Fischer Profil GmbH (ii) (iii)	Waldstrasse 67, Netphen, 57250, Germany
Hille & Müller GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Dusseldorf, Germany
S.A.B Profil GmbH (ii) (iii)	Industriestrasse 13, Niederaula, 36272, Germany
Service Center Gelsenkirchen GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel Germany GmbH (ii) (iii)	Am Trippelsberg 48, 40589 Düsseldorf, Germany
Tata Steel International (Germany) GmbH (ii) (iii)	Am Trippelsberg 48, 40589, Dusseldorf, Germany
<b>India</b>	
Tata Steel International (India) Limited. (ii) (iii)	412 Raheja Chambers, 213 Backbay Reclamation, Nariman Point, Mumbai 400 021, India
<b>Ireland (Republic of)</b>	
Corus Ireland Limited. (ii) (iii)	1 Stokes Place, St Stephens Green, Dublin 2, Ireland
Gamble Simms Metals Limited. (ii) (iii)	Tata Steel service centre, steel house, bluebell industrial estate, bluebell avenue, Dublin 12
Lister Tubes Limited. (xiii)	Tata Steel Steel Service Centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
Stewarts & Lloyds Of Ireland Limited. (xiii)	1 Stokes Place, St Stephens Green, Dublin 2
Walkersteelstock Ireland Limited. (xiii)	Tata steel service centre, Steel House, Bluebell Industrial Estate, Bluebell Avenue, Dublin 12
<b>Isle of Man</b>	
Crucible Insurance Company Limited. (ii) (iii)	Level 2, Samuel Harris House, 5-11 St. George's Street, Douglas, Isle of Man, IM1 1AJ
<b>Italy</b>	
Tata Steel International (Italia) Srl (ii) (iii)	Via Giovanni Gioacchino Winckelmann, 2, Milano MI, Italy
<b>Mexico</b>	
Tata Steel International Mexico SA de CV (ii) (iii)	Era 2, Real de Anahuac, 66600 Ciudad Apodaca, Nuevo Leon, Mexico

## E7. Notes to the financial statements

### Netherlands

British Steel Nederland International B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
C. V. Bénine (76.93%) (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Demka B.V. (ii) (iii) (vii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Esmil B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Huizenbezit Breesaap B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
S.A.B Profiel B.V. (ii) (iii)	Produktieweg 2-3a, IJsselstein, 3401 Mg, Netherlands
Service Centre Maastricht B.V. (ii) (iii)	Fregatweg 42, 6222 Nz, Maastricht, Netherlands
Staalverwerking En Handel B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Europe Distribution B.V. (ii) (iii) (xv)	Postbus 10000, IJmuiden, 1970 CA, Netherlands
Tata Steel IJmuiden B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland B.V. (i) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Consulting & Technical Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Services B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Technology B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands
Tata Steel Nederland Tubes B.V. (ii) (iii)	Souvereinstraat 35, Oosterhout, 4903 Rh, Netherlands
Tata Steel Netherlands Holdings B.V. (ii) (iii)	Wenckebachstraat 1, Velsen-Noord, 1951 JZ, Netherlands

### Nigeria

Tata Steel International (Nigeria) Limited. (ii) (iii)	Block 69a, Plot 8, Admiralty Way, Lekki Phase 1, Lagos, Nigeria
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### Norway

Norsk Stal Tynnplater AS (ii) (iii)	Habornveien 60, PO Box 1403, N1631, Gamle Fredrikstad, 1630, Norway
Tata Steel Norway Byggsystemer A/S (ii) (iii)	Roraskogen 2, Skien, N 3739, Norway

### Poland

Corus Tubes Poland Spółka z.o.o (xiv)	Ul. Grabiszynska, Wrocla, 53-234, Poland
Tata Steel International (Poland) Spółka z.o.o (ii) (iii)	7, Ul. Piastowska, Katowice, 40-005, Poland

### Romania

Corus International Romania SRL (ii) (iii)	169 A Calea Floreasca, A Building, Campus 10, 4th Floor, Office 2039-2044, 1st District,, Bucharest, Romania
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### South Africa

TS South Africa Sales Office Proprietary Limited (ii) (xii)	1st Floor, Kamogelo Suites, 39 Lakefield Avenue, Benoni, Gauteng, 1501, South Africa
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### Spain

Layde Steel S.L. (ii) (iii)	Av. Zugazarte 52, Las Arenas, Vizcaya, 48930, Spain
Tata Steel International Iberica SA (ii) (iii)	Calle Rosario Pino 14-16, Torre Rioja, Madrid, 28020, Spain

### Sweden

Halmstad Steel Service Centre AB (ii) (iii)	Stationsgatan 55, 302 50 Halmstad, Sweden
Norsk Stal Tynnplater AB (ii) (iii)	Rønneholmsvej 11 B, 211 47 Malmø, Sweden
Surahammar Bruks AB (ii) (iii)	Box 201, S-735 23, Surahammar, Sweden
Tata Steel International (Sweden) AB (ii) (iii)	Barlastgatan 2, 414 63 Gothenburg, Sweden
Tata Steel Sweden Byggsystem AB (xiv)	Handelsvägen 4, 302 30 Halmstad, Hallands Län, Sweden

### Switzerland

Montana Bausysteme AG (ii) (iii)	Durisolstrasse 11, Villmergen, 5612, Switzerland
Tata Steel International (Schweiz) AG (xiv)	Wartenbergstrasse 40, Basel, 4052, Switzerland

### Turkey

Tata Steel Istanbul Metal Sanayi ve Ticaret AS (ii) (iii)	Elmadag Harbiye Mahalessi Cumhuriyet Caddesi No: 48, Pegasus Evi Kat:7, Sisli, ISTANBUL, Turkey
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### UAE

Tata Steel International (Middle East) FZE (ii) (iii)	PO Box 18294, Jebel Ali, Dubai, United Arab Emirates
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### United Kingdom

00302520 Limited (xiii)	30 Millbank London SW1P 4WY
000026466 Limited (xiii)	30 Millbank London SW1P 4WY
00224239 Limited (xiii)	30 Millbank London SW1P 4WY
02727547 Limited (xiii)	30 Millbank London SW1P 4WY
Alloy Steel Rods Limited (xiii)	30 Millbank London SW1P 4WY
Bell & Harwood Limited (xiii)	30 Millbank London SW1P 4WY
Blastmega Limited (xiii)	30 Millbank London SW1P 4WY
Bore Samson Group Limited (xiii)	30 Millbank London SW1P 4WY
Bore Steel Limited (xiii)	30 Millbank London SW1P 4WY
British Bright Bar Limited (xiii)	30 Millbank London SW1P 4WY
British Guide Rails Limited (xiii)	30 Millbank London SW1P 4WY

## E7. Notes to the financial statements

British Steel Corporation Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Directors (Nominees) Limited (ii) (iii)	30 Millbank London SW1P 4WY
British Steel Engineering Steels (Exports) Limited (xiii)	30 Millbank London SW1P 4WY
British Steel Service Centres Limited (xiii)	30 Millbank London SW1P 4WY
British Steel Trading Limited (ii) (iii)	30 Millbank London SW1P 4WY
C Walker & Sons Limited (xiii)	30 Millbank London SW1P 4WY
Catnic Limited (ii) (iii) (viii) (ix)	30 Millbank London SW1P 4WY
Cogent Power Limited (ii) (iii) (x)	Orb Works, Stephenson Street, Newport, Gwent, NP19 0RB
Color Steels Limited (xiii)	30 Millbank London SW1P 4WY
Corby (Northants) & District Water Co. (ii) (iii)	Tata Steel Uk Limited, Po Box 101 Weldon Road, Corby, Northamptonshire, NN17 5UA
Cordor (C&B) Limited (xiii)	30 Millbank London SW1P 4WY
Corus CNBV Investments (ii) (iii)	30 Millbank London SW1P 4WY
Corus Cold Drawn Tubes Limited (xiii)	30 Millbank London SW1P 4WY
Corus Engineering Steels (UK) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Holdings Limited (xiii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Overseas Holdings Limited (xiii)	30 Millbank London SW1P 4WY
Corus Engineering Steels Pension Scheme Trustee Limited (xiii)	British Steel Pend Fund, 17th Floor 125 Old Broad Street, London, EC2N 1AR
Corus Group Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Holdings Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus International (Overseas Holdings) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus International Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Investments Limited (ii) (iii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Corus Large Diameter Pipes Limited (xiii)	30 Millbank London SW1P 4WY
Corus Liaison Services (India) Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Management Limited (ii) (iii)	30 Millbank London SW1P 4WY
Corus Property (ii) (iii)	30 Millbank London SW1P 4WY
Corus Service Centre Limited (xiii)	Hull's Hill, Lisburn, Co.Atrim, BT28 2SR
Corus UK Healthcare Trustee Limited (ii) (iii)	30 Millbank London SW1P 4WY
Darlington & Simpson Rolling Mills Limited (xiii)	30 Millbank London SW1P 4WY
Dsrn Group Plc. (xiii)	30 Millbank London SW1P 4WY
Europressings Limited (xiii)	Hill House, 1 Little New Street, London, EC4A 3TR
Grant Lyon Eagre Limited (xiii)	30 Millbank London SW1P 4WY
H E Samson Limited (ii) (iii)	30 Millbank London SW1P 4WY
Hadfields Holdings Limited (62.5%) (ii) (iii)	30 Millbank London SW1P 4WY
Hallamshire Steel Co. Limited(The) (xiii)	30 Millbank London SW1P 4WY
Hammermega Limited (xiii)	30 Millbank London SW1P 4WY
John Tinsley Limited (xiii)	30 Millbank London SW1P 4WY
London Works Steel Company Limited (ii) (iii)	30 Millbank London SW1P 4WY
Nationwide Steelstock Limited (xiii)	30 Millbank London SW1P 4WY
Orb Electrical Steels Limited (ii) (iii)	Orb Works, Stephenson Street, Newport, NP19 0RB
Ore Carriers Limited (xiii)	30 Millbank London SW1P 4WY
Plated Strip International Limited (xiii)	30 Millbank London SW1P 4WY
Precoat International Limited (xiii)	30 Millbank London SW1P 4WY
Precoat Limited (xiii)	30 Millbank London SW1P 4WY
Round Oak Properties Limited (xiii)	30 Millbank London SW1P 4WY
Round Oak Steel Works Limited (xiii)	30 Millbank London SW1P 4WY
Runblast Limited (xiii)	30 Millbank London SW1P 4WY
Runmega Limited (xiii)	30 Millbank London SW1P 4WY
Samuel Fox Limited (xiii)	30 Millbank London SW1P 4WY
Seamless Tubes Limited (xiii)	30 Millbank London SW1P 4WY
Smith, Druce Stainless Limited (ii) (iii) (viii)	30 Millbank London SW1P 4WY
Steel Peech & Tozer Limited (xiii)	30 Millbank London SW1P 4WY
Steel Stockholdings Limited (xiii)	30 Millbank London SW1P 4WY
Steelstock Limited (xiii)	30 Millbank London SW1P 4WY
Stewarts And Lloyds (Overseas) Limited (xiii)	15 Atholl Crescent, Edinburgh, EH3 8HA
Swinden Housing Association (ii) (iii)	Swinden House, Moorgate, Rotherham, South Yorkshire, S60 3AR, England
Tata Steel UK Consulting Limited (ii) (iii)	30 Millbank London SW1P 4WY
Tata Steel UK Limited (ii) (iii) (iv) (viii)	30 Millbank London SW1P 4WY
The Newport And South Wales Tube Company Limited (ii) (iii) (x)	30 Millbank London SW1P 4WY
The Stanton Housing Company Limited (xiii)	30 Millbank London SW1P 4WY
The Templeborough Rolling Mills Limited (xiii)	30 Millbank London SW1P 4WY
Toronto Industrial Fabrications Limited (xiii)	30 Millbank London SW1P 4WY
U.E.S. Bright Bar Limited (xiii)	30 Millbank London SW1P 4WY
UK Steel Enterprise Limited (ii) (iii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
UKSE Fund Managers Limited (xiii)	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP
Walker Manufacturing And Investments Limited (xiii)	30 Millbank London SW1P 4WY
Walkersteelstock Limited (xiii)	30 Millbank London SW1P 4WY
Wellington Tube Works Limited (xiii)	30 Millbank London SW1P 4WY

## E7. Notes to the financial statements

Westwood Steel Services Limited (xiii)  
Whitehead (Narrow Strip) Limited (xiii)

30 Millbank London SW1P 4WY  
30 Millbank London SW1P 4WY

### USA

Apollo Metals, Limited. (ii) (iii) (vii)

1001 Fourteenth Avenue, 18018-0045 Bethlehem, USA  
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, New Castle County, United States

Cogent Power Inc. (ii) (iii)

Delaware Avenue N.W., Warren, Ohio, 44485, United States

Hille & Müller USA, Inc. (ii) (iii)

475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA

Hoogovens Usa, Inc. (ii) (iii)

60 E42 Street, New York, N.Y., 10165, United States

Oremco, Inc. (ii) (iii)

475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA

Rafferty-Brown Steel Co Inc Of Conn. (ii) (iii)

Wilmington Trust SP Services, Inc, 1105 N Market Place, Wilmington, DE, 19899, USA

Tata Steel International (Americas) Holdings Inc. (ii) (iii)

475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA

Tata Steel International (Americas) Inc. (ii) (iii)

475 N. Martingale Road, Suite 400, Schaumburg, IL 60173 USA

Tata Steel USA, Inc. (ii) (iii)

Delaware Avenue N.W., Warren, Ohio, 44485, United States

Thomas Processing Company (ii) (iii)

Delaware Avenue N.W., Warren, Ohio, 44485, United States

Thomas Steel Strip Corp. (ii) (iii)

### Classification key:

- (i) Directly owned by Tata Steel UK Holdings Limited
- (ii) Indirectly owned by Tata Steel UK Holdings Limited
- (iii) Ordinary shares
- (iv) Ordinary A shares
- (v) Ordinary B shares
- (vi) Ordinary C shares
- (vii) Preference shares
- (viii) Deferred shares
- (ix) Deferred A shares
- (x) Cumulative redeemable preference shares
- (xi) Non-cumulative preference shares
- (xii) No share capital
- (xiii) UK and Irish subsidiaries currently in liquidation via a Members Voluntary Liquidation
- (xiv) Non UK and Irish subsidiaries currently in liquidation
- (xv) Dissolved post year end

All subsidiaries are included in the consolidation of these accounts.

Unless indicated otherwise, subsidiary undertakings are wholly owned within the Group.

### Joint ventures, Joint operations and associates

#### England and Wales

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

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

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

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

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

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

Texturing Technology Limited (50%) (i) (iii) (JO)

PO Box 22, Texturing Technology Ltd, Central Road, Tata Steel Site Margam, Port Talbot, West Glamorgan, Wales, SA13 2YJ

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

15 Atholl Crescent, Edinburgh, EH3 8HA

#### Netherlands

Gietwalsonderhoudcombinatie B.V. (50%) (i) (ii) (AS)

Staalstraat 150, 1951 JP Velsen-Noord

Hoogovens Court Roll Surface Technologies VOF (50%) (i) (viii) (JO)

WENCKEBACHSTRAAT 1, VELSEN NOORD, 1951 JZ, Netherlands

Hoogovens Gan Multimedia S.A. De C.V. (50%) (i) (vii) (AS)

Ave. I. Zaragoza 1300 sur, zona centro, Monterrey, Nueva Leon, c.p. 64000, Mexico

Laura Metaal Holding B.V. (49%) (i) (ii) (JV)

Rimburgerweg 40, 6471 XX Eyselshoven, Kerkrade, The Netherlands

Wupperman Staal Nederland B.V. (30%) (i) (ii) (AS)

Vlasweg 15, 4782 PW Moerdijk, Netherlands

#### France

Albi Profils SAS (30%) (i) (ii) (AS)

13 Rue Philippe Lebon, 81000 Albi, France

#### Turkey

Tata Steel Ticaret AS (50%) (i) (ii) (JV)

Cumhuriyet cad. No:48, Pegasus Binası Kat 7, 34367 Harbiye – Istanbul, Turkey

## E7. Notes to the financial statements

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Financial information relating to joint venture and associate companies is disclosed in Note 11.

**Classification key:**

- (i) Owned by the Group
- (ii) Ordinary shares
- (iii) Ordinary A shares
- (iv) Ordinary B shares
- (v) Voting shares
- (vi) Preference shares
- (vii) 455,000 shares of the variable part; 25,000 of the minimum fixed part of the capital stock
- (viii) Partnership by agreement
- (JV) Joint Venture
- (JO) Joint Operation
- (AS) Associate



**Tata Steel UK Holdings Limited**

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