TATA STEEL

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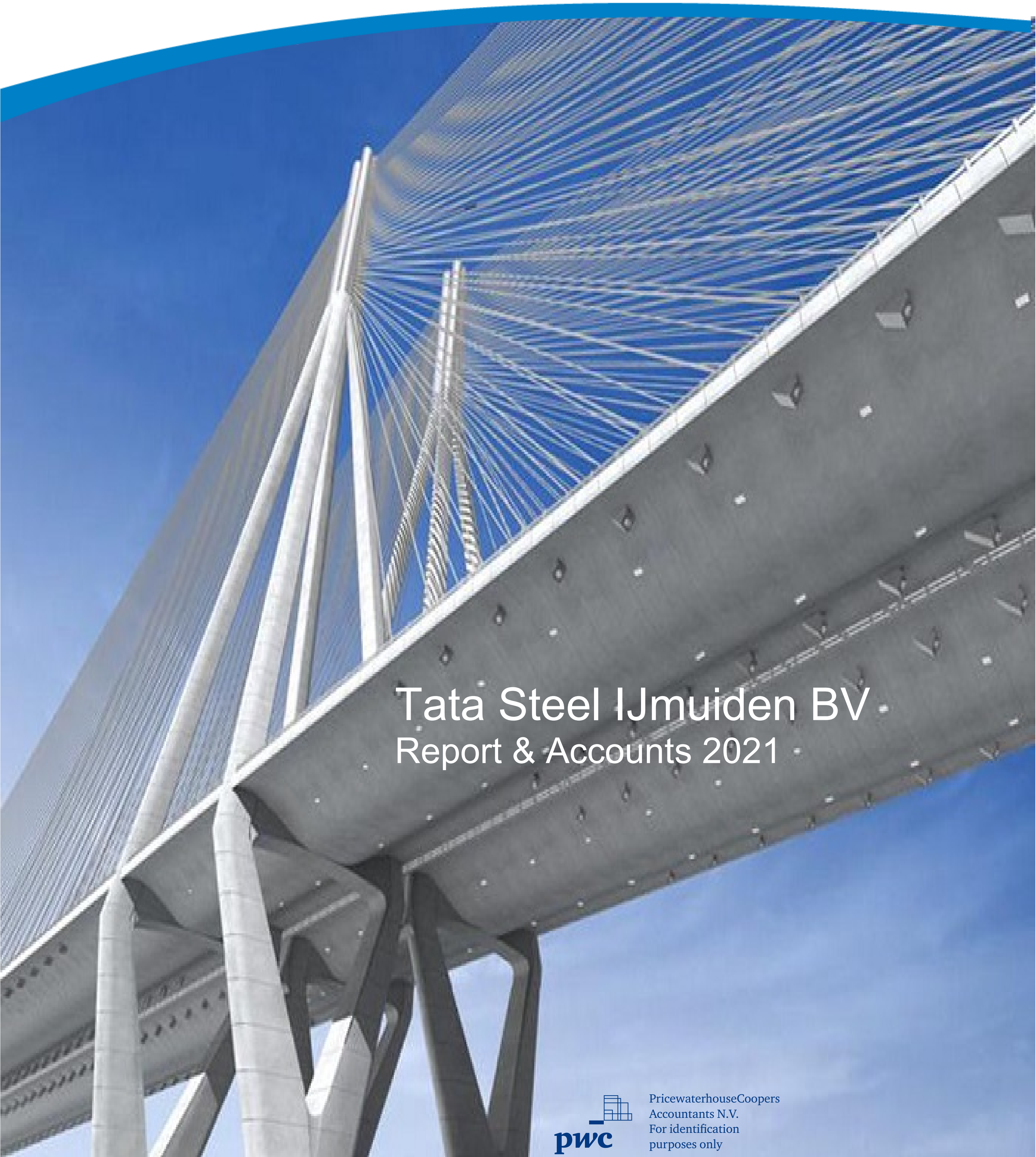

Tata Steel IJmuiden BV
Report & Accounts 2021

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Contents

A. Report of the Board of Directors

Introduction

The Board of Directors ('BoD') herewith presents the annual report together with the audited accounts of Tata Steel IJmuiden B.V. ('TSIJ' or the 'Company') for the year ended 31 March 2021 ('FY21').

TSIJ is a wholly-owned subsidiary of Tata Steel Nederland B.V ('TSN'). TSN is a wholly-owned subsidiary of Tata Steel Netherlands Holdings BV ('TSNH'), an unlisted company based in the Netherlands. TSNH is owned by Tata Steel Europe Limited ('TSE').

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.

The BoD hereby declares that, to the best of its knowledge, the Company's financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the Report of the BoD gives a true and fair view concerning the position at 31 March 2021 , the development and performance of the business during the financial year.

The BoD would like to express its gratitude to all TSIJ employees for their contributions to the Company's performance in FY21 and their support to realise the result for the current year.

Principal business activities, objectives and strategy

TSIJ comprises Strip Products Mainland Europe ('SPMLE') and the activities in IJmuiden of Tata Steel Packaging and Tata Steel Colors.

TSIJ produces carbon steel by the basic oxygen steelmaking method at an integrated steelworks in IJmuiden, the Netherlands. This plant produced a total of 6.2mt of steel products in the current year (FY20: 6.8mt). Further processing is done at other TSIJ and TSN subsidiaries.

Most of the steel is used in four market segments: packaging, construction, engineering and the automotive industry. The Company mostly serves the European market, which takes the majority of the output.

TSIJ's strategic focus is to be the leading European steel business that is sustainable in every sense through:

- Creating long-term value for its stakeholders within a sound financial framework;
- Transforming towards becoming a carbon neutral steelmaker;
- Improving TSIJ's local environmental footprint by addressing concerns around odour, noise and dust emissions;
- Maintaining a top quartile cost position in Europe;
- Continuously improving the service performance;
- Continuing to move the product sales mix to more attractive segments like automotive and construction markets; and
- Capturing growth opportunities with new and existing customers

Important for the future of the Company is the investment program referred to as the Strategic Asset Roadmap ('STAR'). This program will enable a state-of-the art asset base and an extension of the product portfolio in high value products whilst at the same time maintaining the Company's low-cost position in Europe. TSIJ can grow in high-value markets, such as Automotive, Lifting & Excavating, Packaging and Building Systems. This requires a complete product portfolio, very stable production and the highest delivery performance. Targeted investments will allow TSIJ to meet these requirements and will contribute to a sustainable profit for Tata Steel in IJmuiden. In FY18, the first series of investments from this programme have been initiated. In the summer stop of 2019, the first step in increased hot rolled capabilities and the first step in continuous cold rolling was executed. In the summer stop of 2020, the second step in increased hot rolled capabilities and the second step in continuous cold rolling was executed. In addition, a second STAR programme is being developed.

TSIJ started the year against the backdrop of the COVID-19 pandemic which caused a significant drop in demand for the steel products and created challenges for TSIJ's production facilities and for the health and safety of employees. In the first quarter of the 2020/21 financial year, demand for the Company's steel products was down by about 20% due to COVID-19 with certain sectors such as automotive experiencing a sharper decline than others, such as packaging, where demand was largely unaffected. In the second half of the financial year, demand for TSIJ's steel products rebounded strongly with significant increases in steel selling prices towards the end of the year. TSIJ requested and received COVID related government support, in particular from the NOW-scheme and by payroll tax deferrals. TSIJ ensured a coordinated approach in order to protect the health and wellbeing of employees with those who could work from home doing so, supported by the appropriate tools, systems, and policies in line with national requirements. The manufacturing processes continued to operate with new social distancing practices and solutions deployed.

Throughout the year TSIJ continued to build on the successful TSE -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 came from productivity improvements, increased sales of higher-value steels, and employment cost savings.

On 13 November 2020 TSL announced that it had initiated discussions with SSAB in Sweden based on interest received for the potential acquisition of TSE's Netherlands business. In addition TSE initiated a process to separate Tata Steel Netherlands and Tata Steel UK in order to pursue separate strategic paths for the Netherlands and UK businesses. However, on 29 January 2021, discussions with SSAB about a possible sale of the Netherlands business ended after SSAB announced that there were limited possibilities to integrate the Netherlands business into its strategic framework. Despite the conclusion of the sales process, the process to separate the Netherlands and UK business continues with the aim to conclude separation in 2021/22 once the detail of the separation has been agreed with various subsidiary boards and employee representatives.

Across the wider TSE Group there is a focus on simplifying the corporate structure by reducing the number of separate legal entities. This is intended to reduce costs, reduce complexity, aid in transparency and improve corporate governance. As part of this wider goal during the year Tata Steel Europe Metals Trading B.V. was merged into Tata Steel IJmuiden B.V..

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 Europe, changes in the global market for steel influence the financial performance of TSIJ.

Economic climate

Economic growth in 2020 was heavily affected by the COVID-19 pandemic. The impact of the lockdowns throughout the world was mitigated by various forms of government stimulus. Despite the stimulus, global GDP growth declined by -3.7%, its lowest since 1946 (2019: increase of 2.5%). In China GDP growth decelerated but remained positive at 2.0%, after a significant rebound in the second half of the year (2019: 6.0%). The EU economy declined by -6.3% (2019: growth of 1.5%). Both services and manufacturing were negatively impacted by the lockdowns and whilst manufacturing recovery came back quickly, the recovery for services has been slower.

Global steel market

Global steel demand declined in 2020 by -0.2% in line with the adverse macroeconomic conditions (2019: growth of 3.7%). Whilst demand for steel in China increased strongly at 9.1% (2019: 9.1%), steel demand in the EU declined by -11.4% (2019: -5.4%). In the EU, the automotive sector was impacted significantly by the lockdowns in the beginning of 2020. The production of vehicles came almost to a standstill in April. For the full year the number of vehicles produced declined by -24.2%. Machinery and construction were also impacted by the pandemic and output declined by -12.3% and -4.4% respectively.

In 2020 global steel production declined by -0.9% (2019: growth of 3.1%). Steel production in China increased by 5.9% (2019: 7.9%) and equated to 58% of global steel production. In the EU production was reduced by -12.0% (2019: -6.4%).

Raw materials and steel prices

The principal raw materials used in TSIJ's carbon steelmaking processes are iron ore, metallurgical coal and steel scrap. The market reference price for iron ore fines (China CFR 62%) increased in 2020/21 to US$128/t (+$33/t). The price increased due to strong demand from China. The hard coking coal spot price (Australia FOB) decreased to US$117/t (-$48/t) as demand from China was relatively low and China stopped importing coal from Australia. In October 2020 the Chinese authorities implemented a ban on Australian coal. As a consequence of this, the steel mills started to buy coal from, amongst others, Canada, the US and Mongolia instead. The German benchmark scrap price (Sorte 2/8) increased to €241/t (+€21/t) compared to the previous financial year.

The price of CO2 increased in 2020/21 to €28/t (+€3/t), reaching an all-time high in March 2021 at €41/t. Reforms of the EU Emissions Trading System have reduced the supply of permits causing the price to rise. Also, the carbon price was supported by the raising of the target by the EU to reduce emissions by at least 55% by the year 2030, instead of 40% previously.

The European steel spot Hot Rolled Coil price (Germany, parity point) increased in 2020/21 to €534/t (+€65/t). Margins increased strongly in the second half of the fiscal year as the demand for steel recovered whilst supply was limited.

Trade

In 2020 imports into the EU declined to 21.2Mt (2019: 25.4Mt). Low margins made it less profitable for exporters to sell material into the EU. In 2020 the market share of imports in the EU declined to 14.5% (2019: 15.2%). The market share of imports in the EU remains high historically.

The EU remains a net importer of steel with net imports of 3.5Mt (imports: 21.2Mt, exports: 17.7Mt). The region became a net importer in 2015.

Financial review

The Company's turnover decreased from €3,925m in FY20 to €3,620m in FY21 primarily due to the Coronavirus pandemic which caused a sharp reduction in demand in the first half of the year. Both demand and selling prices started to recover in the second half of the year once the initial disruption of national lockdowns have passed. The operating loss increased from €(116)m in FY20 to €(211)m in FY21, mainly due to lower commercial results and lower volumes. The loss before taxation amounted to €(207)m and the tax credit was €62m. The net loss after taxation amounted to €(145)m compared to €(88)m in FY20.

Capital and reserves decreased by €(123)m to €2,440m at the end of FY21.

The decrease of €(123)m consisted of:

- The loss after taxation of €(145)m; and
- Other comprehensive profits of €22m, mainly consisting of movements in the cash flow hedge reserve.

Net cash flow from operating activities totalled €125m compared to €306m in FY20. Net cash flow from investment activities amounted to €(295)m (FY20: €(280)m). Including movements in cash flow from financing activities, the net movement in cash and cash equivalents amounted to an inflow of €150m (FY20: €363m inflow). This was supported by the introduction of a non-recourse debtor securitisation programme of €200m as well as by deferral of payroll taxes.

Capital expenditure

Capital expenditure on tangible fixed assets (including loose plant, tools, and spares additions) in FY21 amounted to €271m (FY20: €278m). Significant capital expenditure has been committed in the SPMLE business on the Strategic Asset Roadmap Programme (STAR) to support the strategic growth of differentiated, high value products in the automotive, engineering and construction market sectors. The main projects 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 2020/21 included further work on the upgrade of a Cold Mill to enhance its reduction capabilities and work towards the 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). In addition, spend was incurred on a scheme at the Sinter plant to reduce dust emissions along with initial work on the repair of a blast furnace at IJmuiden. Other major projects ongoing throughout the year in SPMLE included the renovation of the ovens in the coke & gas plants. Significant capital expenditure on intangible fixed assets has been committed to the upgrade of the manufacturing execution systems of Tata Steel IJmuiden with the Smart Steel Factory project. The site invested in several process safety and environmental projects.

Business review

Tata Steel Strip Products MLE

SPMLE manufactures hot rolled, cold rolled and metallic-coated steels for the automotive and transport industries, building and construction, consumer appliances and electronics, and general engineering.

The Lost Time Injuries (LTI) rate is a measure of our safety performance, expressed as the number of incidents leading to absence from work per million worked hours. For SPMLE employees and contractors the combined LTI rate was 1.3 (0.2 better than last year).

The FY21 operating result after restructuring, impairment and disposals was lower than in FY20 due to worse commercial results. Deliveries in FY21 decreased by 409kt compared to last year, particularly in the first half of the year.

The lower deliveries were also the main reason for the reduction in liquid steel production by 570kt compared to FY20.

Tata Steel Packaging

Tata Steel Packaging is a supplier of light-gauge steel for packaging and non-packaging applications, based in IJmuiden, the Netherlands, with an additional production facility in Duffel, Belgium.

The combined LTI rate in FY21 was 2.0, which was 0.7 better than the previous year.

The FY21 operating result after restructuring, impairment and disposals was below the previous year, due to lower margins and lower volumes. Activity levels in the IJmuiden installations were affected by the weaker order book in Europe and by production related issues.

Tata Steel Colors

Tata Steel Colors is an international business with significant experience in developing and manufacturing colour-coated pre-finished steels. Applications include building envelope, roof and wall cladding, domestic appliances, consumer products, bake ware and specialist applications.

The LTI frequency rate of employees in FY21 was 2.1 compared to 2.5 in the previous year.

The FY21 operating result after restructuring, impairment and disposals was slightly worse compared to the previous year.

Research & development

Research & Technology programme

Approximately 80% of the TSIJ technology programme was developed under the governance of the Global Expert Committees ('GECs') of Tata Steel Europe. The GECs cover process and product market sector developments. The remaining capacity was primarily allocated to the Strategic Thrust programme for various projects including:

- HIsarna technology: low CO2 and economic ironmaking (at least 20% reduction without Carbon Capture and Storage (CCS), up to 80% with CCS or even negative with also renewable carbon sources). Studies on this plant to further understand the process and to design the next generations are ongoing. Engineering for upscaling (a 1 mln tonnes demo plant) has commenced and will continue in FY22; Two other important aspects that have been worked on are the capture of CO2 (engineering study) and the use of zinc containing reverts;
- Physical vapour deposition, a cold zinc coating technology that allows an extension of TSIJ's zinc coated product range towards the future UHSS automotive grades well above 1000 MPa. Main focus has been on continuous liquid feeding of zinc into the vacuum chamber;
- Laser texturing of strip surfaces to create unique roughness profiles that combine both formability and paint appearance. This successful project will merge with GEC projects in the coming year;
- Use of advanced analytics to introduce fundamental changes in manufacturing and all TSIJ business processes like sales and marketing. This also included a model for asset utilisation;
- 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);

- 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; and
- Studies into alternative reductants and pre-reduced agglomerates have started.

Also this year, additional resources aimed towards Direct Business support [approx.. 6%] to deliver quick wins for the business where R&D effort can make a difference, were increased. Examples are burner tests for the galvanising lines, strip steering in the Zodiac-line and support to AA waves in various areas.

Process development

The process technology programme in 2020/21 was focused on lean and robust manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports the Company's manufacturing and differentiated product strategy. Key achievements during 2020/21 were:

- Studies to reduce energy consumption by applying alternative sinter granulations;
- Implementation of several improvements in the process routes to improve stability, e.g. the reduction of defects in the galvanizing lines by tuning the burner settings, improved strip steering control to prevent tail end damage, and reducing the number of rejects by improved control of our annealing processes;
- Full implementation of a new process control model in the Hot Strip Mill 2 in IJmuiden; and
- The castability of several new grades was assessed on feasibility to implement in our lines.

Product market sector developments

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

During 2020/21 a total of 16 (2019/20: 22) new products were introduced, these included :

- VALAST 450: abrasion resistant steel grade for the engineering sector;
- XPF 800 for tubes: cost-effective high-strength alternative to Boron steel;
- MagiZinc 310: products with superior corrosion protection, even at cut edges.

People

Health and safety

Health and safety continues to be TSIJ's first priority as it strives to be the industry benchmark.

Health and safety plans continue to be deployed across the sites, including deployment of approved TSE Health and Safety standards and codes of practice. TSIJ's safety performance as measured by the combined LTIF worsened very slightly in 2020/21 to 1.25 compared with 1.17 in 2019/20. The sickness rate was 4.80% in FY21 - which saw a spike at the end of March 2020 due to the Corona virus – this compares to previous fiscal year result of 4.84%.

Pension scheme

Stichting Pensioenfonds Hoogovens (SPH), the main pension scheme within TSN, operates the pension scheme of the IJmuiden site in the Netherlands. At the end of its reporting year 2020, SPH had 9.619 'active' participants and 14.573 people receiving pensions, a decline with 213 and 157 respectively. The 12-months moving average ('policy') funding ratio was 105 % at the end of March 2021.

The Company has agreed with the Dutch Trade Unions to fix the Company's contribution level at 29.5% of pensionable earnings for a one year period from 1 January 2021 to 31 December 2021. The SPH pension scheme is classified in the financial statements as a defined contribution scheme.

Employment policies

There are established arrangements for communication and consultation with Works Councils and Trade Union representatives, to share information on matters of mutual interest.

During the year several requests for advice on organisational and financial subjects were discussed and concluded with the Central Works Council.

In 2020 a new TS IJmuiden collective labour agreement was agreed with the Trade Unions for a one-year period from 1 April 2021 up to 31 March 2022. TSIJ employees will receive a bonus of gross €300 in both June and October 2021. The gross contribution to the medical expenses is increased from gross €30 to €75 per month. All other collective labour agreements remain the same.

On 10 June 2020 the unions started a series of relay strikes at the IJmuiden works, the first one after 28 years. Main drivers for this industrial action were uncertainty about jobs and the impact of the Transformation Programme on employment and organisation structure. After 25 days of strikes an agreement was reached with the Unions which was also supported by the CWC. Some key elements of this agreement are no forced redundancies and no outsourcing of activities related to the Transformation programme and an extension of the 'Werkgelegenheids Pact (WGP)' and the 'Generatie Pact' until 1 October 2026.

Our employee population is aging. The average age of our workforce is increasing and, due to the higher retirement age, employees will have to continue to work to a higher age than before. These developments call for policies aimed at improving both the ability and the willingness to continue to work longer. Key programmes are agreed with and supported by the Trade Unions and Works Council. An example is the retirement Generation Pact program. Tata Steel and the Trade Unions recognise the importance of employees reaching retirement in a good and healthy way. The Generation Pact offers the opportunity to work less to reduce the workload in the last years before retirement. Various improvement programs aim to keep the total employment costs competitive.

Tata Values

As part of TSE, TSIJ embraces the five 'Tata Values' (Pioneering, Responsibility, Excellence, Unity, Integrity) which are shared by all Tata companies worldwide and guide expected behaviours and practices throughout the TSE Group..

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.

Sustainability and environment

TSIJ is facing two key challenges with respect to sustainability and environment. The short term aim is to reduce both odour pollution, dust emissions and noise by means of the accelerated Roadmap+ and its long term aim is to reduce CO2 emissions of the IJmuiden site by 40% by 2030 (compared to those in 2018).

Sustainable in Every Sense

- TSE has set out its mission to build the leading European steel business that is sustainable in every sense. It aims to play a positive role in shaping a sustainable society for generations to come. The strategy focuses on three pillars:
- As an innovator in carbon neutral steelmaking, TSIJ is committed to transforming the way sustainable steel is produced, whilst ensuring a safe and healthy work environment and local environment;
- Being a responsible steel supplier: TSIJ is committed to ensuring its raw materials are sourced from responsible supply chains and in accordance with sustainable business practices; and
- Enabling customers to become more sustainable: TSIJ strives that its customers can rely on its sustainable solutions and expertise to help them improve the sustainability of their value chains and create the sustainable products which society needs.

TSIJ creates true value in the way it works together in partnerships with stakeholders. The company's strength lies in its people and the pride they take in their work. Whether producing today's steel, researching tomorrow's new products, or working closely with customers to make them even more successful in their markets, the pride in the people who work in the steel sector drives everything the company does. It makes all those who work for the company want to exceed customer expectations, invest in cleaner, safer and more sustainable processes, give back to the communities they live and work in, and build and maintain a company fit for generations to come.

In order to strengthen its sustainability programme and to secure 3rd party validation of its progress, TSIJ (through its parent company) became a member of ResponsibleSteel™ in 2020. This is the first globally-present sustainability standard and certification scheme for the steel industry.

Year in Focus

Local community concerns

During 2020/21, representatives of the local community around TSIJ's IJmuiden steelworks raised important concerns related to the impact of the steelworks on local environmental conditions. TSIJ received 4,184 complaints from members of the community around IJmuiden during the financial year. These related to concerns about odour, noise and dust.

Public concern translated into interventions by public health bodies, environmental regulators and lawyers representing members of the public during the year:

Two court cases were held in The Hague in October 2020, which were brought against the provincial environmental regulator of TSIJ's IJmuiden site, the 'Omgevingsdienst' (OD), by the Human, Environment and Transport Inspectorate (Inspectie Leefomgeving en Transport, ILT), the supervising authority of the Dutch Ministry of Infrastructure and Water Management. A case concerning emissions of nitrogen oxides (NOx) from the stoves of Blast Furnace 7 was won by ILT, with the implication that emissions reductions will be required. The other case concerned NOx emissions from the pellet plant. In this matter, ILT lost on procedural grounds but pressure is expected to remain.

In April 2021, RIVM (Dutch Institute for the Environment and Public Health) issued an interim report on public health in the IJmond area, with a focus on acute (instead of chronic) health issues. It reported that approximately 20% of IJmond inhabitants indicated that they had concerns about public health, rising to 35% for those living close to the IJmuiden site. RIVM also concluded that there are peak values in which fine dust levels are higher around IJmuiden than in 'natural areas' and that General Practitioner (GP) visits for certain acute health issues are higher, on average, in the IJmond area than in two reference areas. RIVM couldn't determine whether peak fine dust levels and increased GP visits were attributable to the activities of TSIJ but called for more research. In response to the RIVM report, three municipalities and the Provincial Authorities have called upon TSIJ to communicate clearly what measures it intends to take to address the concerns, albeit they have acknowledged that TSIJ is generally operating within the requirements of its permits.

In January 2021, the 'Concerned Mothers' re-organised themselves into a charity; 'FrisseWind.nu' ('Fresh Air') and released a press statement with law firm Ficq & Partners Advocaten, which has threatened to file a criminal complaint against Tata Steel. It claims that Tata Steel and another party are responsible for deliberate air and soil pollution with risks for population and animal health. The threatened claim has attracted substantial media attention, both regionally and nationally. On 19 May 2021 the criminal complaint has been filed with the public prosecutor against the ***de facto*** managers of Tata Steel on behalf of about 800 claimants.

The Dutch Safety Board announced on 26th April 2021 that it will conduct an investigation into the effect of industrial emissions on public health. The project will be focused around TSIJ's IJmuiden steelworks. The goal of the Board is to obtain learnings for society at large. It is not to (apportion) blame to individuals or organisations.

Roadmap+

In December 2020 TSIJ launched the Roadmap+, a large-scale investment programme worth ~€300M intended to improve local environmental performance between 2020 and 2030 by addressing the concerns of the surrounding community on areas such as dust, noise and odours. This represents a further development and deployment of the original Roadmap 2030, launched in 2019. The strengthened roadmap comprises a number of concrete measures that will address (i) nuisance created by odour and coarse dust, (ii) the impact on local air quality of fine dust, substances of Very High Concern (e.g. PAH, lead) and NOx and, (iii) eutrophication and (therefore) biodiversity impacts created by NOx deposition.

On 25 May 2021 TSIJ announced to accelerate these plans to significantly reduce dust and odour emissions from IJmuiden steelworks by:

- Reducing dust emission to the surrounding community by 65% by 2023; and
- Reducing odour pollution by 85% over the next two years;
- Building a new facility by 2025 to reduce nitrogen oxides, fine dust and heavy metals from the pellet plant.

The publication of Roadmap+ represents a major step forward to show Tata Steel's commitment to the environment to respond to community concerns. The response to the Roadmap+ was positive in local and national media and by the provincial authority and national government. Though TSIJ's initiative was received positively, the Wijk aan Zee community remains sceptical and focusses on TSIJ achieving the goals set before confidence can be restored.

Roadmap+ contains new measures to reduce dust emissions. An important measure in reducing visible dust is the reduction of dust turbulence at storage facilities and when on conveyor belts in the raw materials area at the IJmuiden site. This is planned to be achieved by building dust screens and covering the bunkers of the Blast Furnaces as well as the transport systems for raw materials. In addition, covering the steel converter slag cooling process is expected to make an important contribution to dust reduction. By 2023, the company expects dust emissions in the immediate community around the site to be reduced by approximately 65 per cent compared to 2021 levels.

The odour sources with a major impact on the surrounding area are from processes known as the Coke and Gas Plant 2 (KGF2), the ladle fire-up installation at the Steel Plant and Pickling Line 22 at the Cold Mill. In addition to the planned acceleration of all odour-reduction measures, TSIJ will also take extra measures within Roadmap+, such as a plan to accelerate improvements to the KGF2, including adjustments to the mechanical seal and lowering the pressure of the 108 coke ovens. This project has now started. Another measure which has been added is the installation of a new scrubber at Pickling Line 22. With the extra measures, odour issues experienced by the surrounding community are expected to reduce by approximately 85 per cent in 2023.

A major project within the Roadmap+ package is the planned building of a ‘DeNOx’ installation at the Pellet factory in IJmuiden, which is expected to significantly contribute to the reduction of emissions. In addition to reducing nitrogen oxides (NOx), the new facility would also reduce emissions of particulate matter and heavy metals by 55 per cent.

By taking various measures against the emission of Substances of Very High Concern (SVHC), Tata Steel Netherlands expects to achieve a 30 per cent reduction in the emission of Polycyclic aromatic hydrocarbons (PAH) by 2023.

Tata Steel Ijmuiden always strives to comply with permits and legal standards. The Roadmap+ program and the acceleration of the Roadmap+ plan cover actions which extend beyond the scope of current permit requirements. TSIJ deems this an essential acceleration, since it focuses on measures which have the largest possible positive impact on the local communities and the local environment.

TSIJ has already made significant improvements in reducing dust emissions in the first year of the (original) programme, including finalising a new facility for processing iron residues, as well as paving unsealed roads on site. New water suppression systems have been installed on raw material storage areas to reduce dust drift and testing is continuing into other ways of further reducing dust. A variety of operational measures have been taken to address noise, including reducing locomotives’ emergency signals. In order to understand better the sources of malodour, additional electronic ‘noses’ (e-noses) have been deployed across the site and a pilot project has been commenced with the Province to exchange data from various e-noses.

TSIJ is continuously testing new operational designs, amongst others a trial to reduce dust emissions during the tipping and excavation of slag from the steel converter process.

Climate Action - Decarbonisation

Commitment – Expression of Principles Document

Climate change is one of the most pressing issues the world faces today. TSIJ is determined and committed to being part of the solution rather than part of the problem. It is already delivering on this commitment through the products that it makes and through its leadership in the field of steel industry decarbonisation. The Company has stated its commitment to produce steel in a carbon-neutral way by 2050. Furthermore, together with the Dutch Government, TSIJ has laid out its CO2 reduction ambitions through an Expression of Principles document in which it has further refined plans for decarbonisation with the potential to reduce CO2 emissions by five million tonnes a year by 2030 which equals to 40% reduction compared to 2018 of CO2 emissions of the IJmuiden steelworks. This would be an ambitious step towards helping the Netherlands in reaching the goals of the Dutch Climate Agreement. The Expression of Principles between TSIJ and the Dutch Government lays down a framework for mutually beneficial cooperation and dialogue on how decarbonisation plans could be realised.

Transparency & Disclosure

TSIJ is committed to open communication of its carbon emissions and climate action. In 2020 it again provided a comprehensive disclosure as part of a consolidated Tata Steel Group annual submission to CDP (formerly Carbon Disclosure Project). Tata Steel attained a rating of A-, putting it amongst the best performing of the steel companies reporting to CDP.

Joint effort with Government

TSIJ is supportive of the strong leadership position on climate action that the Dutch Government (and the governments in other jurisdictions in which it has operations) has taken. It is committed to working closely with policy-makers to deliver a profoundly important contribution to the achievement of national aspirations, as evidenced by its emission reduction commitments. Yet, it cannot do this alone. Tackling climate change is a major effort that concerns the whole of society and accelerating the pace of decarbonisation of the steel sector will require a set of policy interventions that rapidly strengthen the business case for public and private investment in low-CO2 steel.

It would be counter-productive if the cost of decarbonising TSIJ's steelmaking operations in the Netherlands were to give a competitive advantage to steelmakers in less carbon-constrained jurisdictions; policy measures are thus needed to enable TSIJ to remain competitive whilst pioneering the steel sector transition to net-zero. These measures should take the form of public procurement and product policies that incentivise the use by society of low-CO2 steel, measures that accelerate the deployment of clean energy infrastructure and, critically, interventions that ensure TSIJ can access low-cost finance and /or government financial support to facilitate high-risk, innovative and first-of-a-kind technologies. TSIJ is supportive in principle of the EU's proposed Carbon Border Adjustment Mechanism but care will be needed in its design if it is to have the intended effect of incentivising rapid decarbonisation amongst EU steelmakers.

Project Everest

TSIJ is currently exploring Carbon Capture and Storage (CCS) as a scenario for decarbonisation and is engaged in the first phase of the Everest project to capture CO2 from the blast furnaces in the relatively short term, and to transport it to former gas fields under the North Sea for storage. In the second phase, it will use blast furnace emissions for conversion into sustainable raw materials for the chemical industry and synthetic fuels.

HIsarna

The Company continues to work on a major long-term project to develop HIsarna, a new smelting reduction technology for which it co-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 CO2 emissions. The pilot plant is located at IJmuiden. The technology development plan for HIsarna is based upon a stepwise scale up from the current pilot plant in IJmuiden, towards a larger installation planned in Jamshedpur in India. The feasibility of a full-scale plant at IJmuiden with an iron output of up to 1.5 million tonnes per annum is being evaluated.

Project Athos

Project Athos is closely connected to Everest and HIsarna and examines the feasibility of carbon capture and storage (CCS) under the North Sea as well as carbon usage. The transport and storage system aspect of this project will build new infrastructure for the Amsterdam region, using existing infrastructure as much as possible. It will be owned and operated by a third party.

H2ermes

TSIJ, Nouryon and Port of Amsterdam are engaged in Project H2ermes, which envisages the construction of a 100 MW green hydrogen plant at the TSIJ 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 TSIJ is not the only party to benefit from this new resource.

Alternative solutions

In addition to the foregoing initiatives, TSIJ is also studying the proposal recently made by the FNV as a long term sustainable solution and a potential alternative for CCS. In its letter dated 14 may 2021 the FNV proposed to directly develop DRI-EAF without using CCS as an intermediate step. This and other alternatives will be carefully considered by TSIJ.

CO2 Emissions Performance in the short term

Even with TSIJ's decarbonisation activities moving forward at pace, it is nevertheless still important to ensure that its assets remain highly efficient in the short term. Currently, IJmuiden is one of the most carbon efficient integrated steelworks in the world, with a CO2 emissions intensity of 1.88 tonnes of CO2/tonnes crude steel in FY20 (taking account of Scopes 1, 2 & 3 emissions). With respect to low CO2 emission per tonnes crude steel the IJmuiden site is ranked number 3 in the 2020 WSA benchmark, out of 34 steel companies.

Emissions Trading

The allocation of CO2-credits to the operations of TSIJ under the EU Emissions Trading System (EU ETS) continued to be lower than the emitted volume in 2020, the final year of Phase 3 of the system, with the shortfall between free allowances and actual emissions exceeding 1.6 million tonnes of CO2, despite IJmuiden being amongst the most carbon efficient integrated steel plants in the world. This shortfall can be attributed to the use of unachievable benchmarks for the allocation of allowances to even the most efficient steel producers. Eurofer, the Confederation of European Iron and Steel Producers, estimates that steel companies receive on average approximately 20% fewer free allowances than their actual emissions.

The price of EUAs rose sharply through 2020 and continued to strengthen in 2021. From a price below €20 at the start of April 2020, prices had risen to over €40 by 1st April 2021 and €50 in May 2021. The price growth was attributable to a number of factors, from the growing number of investors seeking exposure to the EU ETS, to upcoming measures to tighten the system to align it with the EU's increased 2030 emissions reduction target, to the transition from Phase 3 to Phase 4 of the EU ETS.

Increasing shortages and rising prices of EUAs mean that steelmakers need to deal with growing costs of carbon while also investing in a decarbonised future. The Group announced in April 2021 that it would be introducing a carbon surcharge mechanism of €12 per tonne of steel to pass on some of its costs to the market. By explicit carbon pricing, TSIJ is seeking to drive awareness and action in the value chain towards innovation and investments in a decarbonised future.

Energy Efficiency

Whilst TSIJ already operates its steelmaking assets close to their theoretical optimum levels, it remains committed to making marginal gains wherever the opportunity arises to do so and continues to invest substantially in evaluating and optimising its processes. It has continued to enhance MONICA, the state-of-the-art monitoring and benchmarking tool for energy and CO2 emissions developed in-house.

TSIJ has a long-term energy efficiency agreement (MEE) with the Dutch Government and is engaged in continuous evaluation of opportunities. Under this agreement, an Energy Efficiency Plan (EEP) has been developed for the IJmuiden steelworks. Under the plan, TSIJ increased its coke oven gas storage capacity in 2020 to further optimise utilisation of this valuable, calorific process gas and, at the same time, reduce natural gas supply to the site. Other key developments during 2020 included the commissioning of a new, efficient blower at the blast furnaces and the tapping in of cooling water from the hot rolling mill into a local waste heat distribution system. During 2021, TSIJ plans to install a highly efficient reheating furnace at the hot rolling mill as well as energy efficient electrical drives. A variety of waste heat recovery schemes and burner upgrades are to be implemented in the following years, including a new waste heat recovery boiler at the sinter plant.

Netherlands Carbon Tax

As part of the national CO2-reduction plan of the Netherlands, a number of policy measures have been introduced in addition to EU ETS for both industrial and electricity generation sectors including a minimum carbon price for power generation and a carbon tax for industry, which came into effect on 1st January 2021. The carbon tax has the effect of supplementing the price of EU emissions allowances (EUA) in the EU ETS if they fall below a pre-determined and increasing annual threshold linearly from €30/tCO2 in 2021 to €125/tCO2 in 2030. A number of dispensation rights apply to ensure companies only pay the tax on a proportion of emissions above a defined threshold linked to ambitions of the Dutch government to achieve a 49% reduction in CO2 by 2030 (compared to 1990) and to the EU-ETS benchmarks. In light of the strength of the EUA price since 1st January 2021, the carbon tax has to date not yet kicked-in as far as TSIJ's activities are concerned.

Product innovation

Decarbonisation of the Company's operations is only a part of the positive contribution that TSIJ is making, as its products are also part of the solution to climate change.

Steel is a vital part of modern society and is essential for sustainable development. It is needed to make vehicles lighter and more efficient whilst helping to shape future forms of mobility. It will be a fundamental building block of the carbon neutral cities of the future. Its use in innovative packaging solutions underpins resilience within the food supply sector. Steel is also at the heart of renewable electricity generation and transmission and will play a crucial role in the upscaling of hydrogen production and conveyance.

As a strong, durable, flexible and infinitely recyclable material, steel will be at the heart of the future circular economy, in which resources are used with great efficiency, leading to the elimination of waste.

CO2 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. TSIJ has developed a tool to assess the sustainability of all new products against the products they replace, in a semi-quantitative manner. The Sustainability Assessment Profile is a unique framework supporting the company's mission to become sustainable in every sense, creates value propositions related to sustainability and supports customer engagement. The framework considers environmental, social and economic aspects over the complete product life cycle in a consistent manner in an approach that puts TSIJ ahead of other international steel companies.

The Sustainability Assessment Profile achieved recognition in Tata Group's flagship innovation platform, winning the 2020 Innovista award in the Implemented Innovation category.

From a results perspective, during FY21, TSIJ launched 11 new products across sectors, of which eight were assessed as Eco and two as Eco-Premium products, offering significant sustainability benefits over the products they replaced. Notable developments include the TCCT® coating for Aerosol Bottoms from the Packaging sector which offers customers a sustainable, food-safe and future-proof solution, HR550LA+Z and 34MnB5 from Automotive and Engineering sectors respectively which offer significant weight saving opportunities.

Environmental Policy

TSIJ is committed to minimising the environmental impact of its operations and its products through the adoption of sustainable practices and continuous improvement in environmental performance. To implement its environmental ambition, TSIJ continuously strives to improve the systems that are in place to manage and minimise the effects of the Company's operations. For example, 100% of manufacturing operations within TSIJ are independently certified as meeting the international environmental management system standard, ISO 14001:2015. Furthermore, 100% of TSIJ's products manufactured in the Netherlands are independently certified as meeting the requirements of the sustainable sourcing standard, BES6001.

Implementation of the Dutch Hazardous Substances Legislation (Zeer Zorgwekkende Stoffen, ZZS)

The RIVM has identified a list of 1,600 chemical substances (including metals, polycyclic aromatic hydrocarbons (PAHs), dioxins, fine dust, etc.). Companies are required, under ZZS, to; (i) identify whether it emits them, (ii) (in each case that it does) identify from which point (stack) these are emitted (or determine whether these are diffuse emissions), (iii) calculate the concentrations in the air on the outbound perimeter of the site and at certain specific locations in the local community and, (iv) determine a 5-year-plan to phase-out, or if not possible to do so, minimise the emissions. TSIJ submitted its list of substances and concentrations along with its phase-out / minimisation plan at the end of December 2020 following the completion of a comprehensive measurement and inventory programme during 2020.

Recognition

The 2020 worldsteel Sustainability Champions were announced at the worldsteel Special General Meeting (SGM) of the Board of Members on 13th April 2021. TSE was recognised as a worldsteel Sustainability Champion for its performance and efforts in 2020, having met all the criteria for recognition, namely; being a signatory of the worldsteel Sustainable Development Charter, participating in the worldsteel Life Cycle Inventory data and Sustainability Indicators programme, publishing a sustainability-related report and having been shortlisted in one of five worldsteel Steelie Awards (Innovation of the year, Excellence in sustainability, Excellence in Life Cycle Assessment, Excellence in education and training, and Excellence in Communications programmes). TSE is one of only nine companies to be recognised as Sustainability Champions for 2020 and is one of only three companies to have been named a Sustainability Champion in each of the four years that the scheme has been operated.

Principal risks and risk management

Within the wider Tata Steel Europe Group, active risk identification and mitigation management is an integral part of all business management processes.

As a major subsidiary of TSN, TSIJ's businesses are subject to TSN's robust process to identify and monitor the significant risks and associated mitigating measures for its operations and activities, including those of TSIJ.

Risk registers that are prepared by the individual entities of TSN are consolidated in an overall TSN risk register, highlighting potential impact of the risks as well as probability of occurrence. The TSN risk register is updated every six months. After every update a selection of the "Top 10" risks and mitigation measures is reviewed by the TSN BoM together with the TSN Supervisory Board.

At TSN level, mitigating measures are identified and put in place. TSIJ applies the same mitigating measures. Full details of the critical risks of TSN can be seen in the TSN Report & Accounts. This document is available from the office of Tata Steel Nederland BV, PO Box 10000, 1970 CA IJmuiden, Netherlands.

Composition of the Board of Directors

Until 1 June 2020, the Board of Directors was composed of Mr. Th.J. Henrar, Mr. J.E. van Dort and Mr. J. van den Berg. On 1 June 2020, Mr Th.J. Henrar released his position as member of the Board. A successor of Mr Henrar has not yet been appointed. Mr. Van den Berg replaced Mr. Henrar as (acting) Chairman. The Board will strive for equal representation with future appointments.

Prospects for 2021/22

In 2021 global economic growth is expected to be high as COVID-19 restrictions are eased. The World Steel Association predicts that growth of global steel demand will recover to 5.8%. EU steel demand is expected to recover by 10.2%, thereby staying slightly below the pre-COVID-19 level. In the first months of the financial year 2021/22, the upswing in steel demand and steel prices is confirming these expectations.

Post balance sheet events

The Report describes that various alternatives are being explored to realise TSIJ's decarbonisation ambitions.

On 15 September 2021 Tata Steel Nederland has announced that going forward, it will fully focus on the production of green steel via the hydrogen route, applying DRI technology.

On 1 October 2021, TSE announced the separation of its managerial organisation structure into a UK Value Chain and a MLE Value Chain organisation. TSIJ will be part of the MLE Value Chain.

J. van den Berg, Chairman

J.E. van Dort

IJmuiden, 2 November 2021

Income statement

For the financial year ended 31 March

	Note	**2021** **€m**	2020 €m
Revenue	1	**3,620**	3,925
Operating costs	2	**(3,831)**	(4,041)
Operating loss		**(211)**	(116)
Finance costs	5	**(6)**	(5)
Finance income	5	**10**	5
Loss before taxation		**(207)**	(116)
Taxation	6	**62**	28
Loss after taxation		**(145)**	(88)

All references to 2021 in the Financial Statements, the Presentation of accounts and accounting policies and the related Notes 1 to 28 refer to the financial period ended 31 March 2021 or as at 31 March 2021 as appropriate (2020: the financial period ended 31 March 2020 or as at 31 March 2020).

Notes and related statements forming an integral part of these accounts appear on pages 19 to 41.

Statement of comprehensive income

For the financial year ended 31 March

	Note	**2021 €m**	2020 €m
Loss after taxation		**(145)**	(88)
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) arising on cash flow hedges	16	**29**	(22)
Income tax relating to items that may be reclassified	16	**(7)**	5
Other comprehensive income/(loss) for the year net of tax		**22**	(17)
Total comprehensive loss for the year		**(123)**	(105)

Notes and related statements forming an integral part of these accounts appear on pages 19 to 41.

Balance sheet
(after appropriation of net profit/loss)

As at 31 March

	Note	2021 €m	2020 €m
Non-current assets			
Intangible assets	7	**98**	79
Property, plant and equipment	8	**1,879**	1,838
Investments in subsidiaries, joint ventures and associates	9	**60**	60
Deferred tax asset	19	**61**	49
		2,098	2,026
Current assets			
Inventories	10	**751**	797
Trade and other receivables	12	**657**	685
Current tax assets	11	**66**	-
Short term investments	13	**162**	215
Cash and short term deposits	13	**144**	148
		1,780	1,845
TOTAL ASSETS		**3,878**	3,871
Current liabilities			
Borrowings	15	**(168)**	(45)
Trade and other payables	14	**(927)**	(910)
Current tax liabilities	11	**(3)**	(137)
Provisions and other liabilities	17	**(126)**	(62)
		(1,224)	(1,154)
Non-current liabilities			
Borrowings	15	**(50)**	(54)
Provisions and other liabilities	17	**(98)**	(95)
Other liabilities	18	**(63)**	(1)
Deferred income	19	**(3)**	(4)
		(214)	(154)
TOTAL LIABILITIES		**(1,438)**	(1,308)
NET ASSETS		**2,440**	2,563
Equity			
Called up share capital	21	**113**	113
Hedging reserve		**16**	(6)
Retained earnings		**2,311**	2,456
TOTAL EQUITY		**2,440**	2,563

Notes and related statements forming an integral part of these accounts appear on pages 19 to 41.

Statement of changes in equity

	Share capital €m	Hedging reserve €m	Retained earnings €m	**Total €m**
Balance at 1 April 2019	113	11	2,544	**2,668**
Loss after taxation	-	-	(88)	**(88)**
Other comprehensive result for the year	-	(17)	-	**(17)**
Balance at 31 March 2020	113	(6)	2,456	**2,563**
Loss after taxation	-	-	(145)	**(145)**
Other comprehensive result for the year	-	22	-	**22**
Balance at 31 March 2021	113	16	2,311	**2,440**

Notes and related statements forming an integral part of these accounts appear on pages 19 to 41.

Statement of cash flows

For the financial year ended 31 March

	Note	2021 €m	2020 €m
Operating activities			
Loss after taxation		**(145)**	(88)
Adjustments for:			
Tax	6	**(62)**	(28)
Profit on sale of subsidiaries	9	**-**	(1)
Interest income	5	**(10)**	(5)
Interest expense	5	**6**	5
Depreciation and amortisation including impairments (net of grants released)	2	**202**	205
Movement in provisions for impairments of trade receivables	12	**(2)**	-
Movement in insurance and other provisions		**75**	27
Movement in loose plant, tools and spares		**25**	17
Movement in inventories		**46**	(18)
Movement in receivables		**47**	223
Movement in payables		**114**	(35)
Rationalisation costs provided	17	**3**	10
Utilisation of rationalisation provisions	17	**(10)**	(1)
Cash generated from operations		**289**	311
Interest paid		**(3)**	(2)
Interest element of lease rental payments		**(3)**	(3)
Taxation paid		**(158)**	-
Net cash flow generated from operating activities		**125**	306
Investing activities			
Purchase of property, plant and equipment	8	**(271)**	(278)
Sale of property, plant and equipment	8	**1**	4
Purchase of other intangible assets	7	**(34)**	(11)
Dividends from subsidiaries		**2**	-
Dividends from joint ventures and associates		**6**	3
Interest received		**1**	2
Net cash flow used in investing activities		**(295)**	(280)
Financing activities			
Proceeds from loans to Group companies		**-**	5
Repayments of loans from Group companies		**(32)**	-
Movements in other loans		**2**	2
Cash acquired due to mergers	25	**-**	61
Capital element of lease rental payment	25	**(13)**	(18)
Net cash flow (used in)/generated from financing activities		**(43)**	50
(Decrease)/increase in cash and cash equivalents		**(213)**	76
Cash and cash equivalents at beginning of period		**363**	287
Cash and cash equivalents at end of period		**150**	363
Cash and cash equivalents consist of:			
Short Term deposits with TSN	13	**162**	215
Cash at bank and in hand	13	**144**	148
Bank overdrafts	15	**(156)**	-
		150	363

Notes and related statements forming an integral part of these accounts appear on pages 19 to 41.

Presentation of consolidated accounts and accounting policies

I Introduction

Tata Steel IJmuiden BV ('TSIJ' or 'the Company') is located in IJmuiden, municipality of Velsen, the Netherlands, and forms part of the Tata Steel Group. The Kamer van Koophandel number of the company is 34040331. The ultimate parent company is Tata Steel Limited ('TSL'), which is a company incorporated in India with shares listed on the Mumbai Stock Exchange and the National Stock Exchange of India, and with global depository receipts listed on the London and the Luxembourg Stock Exchanges.

The immediate parent company of Tata Steel IJmuiden B.V. is Tata Steel Nederland B.V. also located in IJmuiden, municipality of Velsen.

The 2021 Annual Accounts of Tata Steel IJmuiden B.V. have been authorised for issue by the Board of Directors (BoD) on 2 November 2021.

II Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ('IASB'). However, the financial statements for the periods presented would not be materially different if the Company had applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The functional and presentational currency of the Company is the Euro.

This Annual Report of Tata Steel IJmuiden B.V. does not include consolidated accounts as the Company has applied the exemption allowed by IAS 27 "Consolidated and Separate Financial Statements" and article 10 "Presentation of consolidated financial statements". The annual accounts of Tata Steel IJmuiden B.V. and its group companies are part of the consolidated accounts of Tata Steel Nederland B.V.

Tata Steel IJmuiden B.V. applies the exemption as referred to in Article 382a part 3, Book 2 of the Dutch Civil Code to not disclose auditors fees in its financial statements.

Going concern

The Board of Directors has assessed the ability of the Company to continue as a going concern. In March 2020, TSIJ first started to experience the negative effects of the global COVID-19 pandemic on the demand for its steel products. TSIJ responded to the financial consequences of the reduced steel demand caused by the pandemic by utilising available government support measures, taking short term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In the second half of the 2020/21 financial year, demand for TSIJ's steel products rebounded strongly with significant increases in steel selling prices towards the end of the year.

The Board of Directors has assessed the future funding requirements of the Company in the near term, based on financial forecasts covering 12 months from the date of this report and have compared these funding requirements to the level of borrowing facilities which are available. Considering current steel prices, spread levels and volumes, the Company is expecting strong positive operational cash flows for this period, also after factoring in the planned spend for the strategic investments in the STAR and Roadmap+ programs.

The Company continues to have sufficient access to borrowing facilities, both internal and external. Furthermore, TSIJ is currently engaged in constructive discussions regarding long term financial support from the Netherlands government to assist the Group in meeting the long term financial challenges of decarbonising TSIJ's steel production facilities.

Having undertaken this work, the Board of Directors is of the opinion that the Company has access to adequate resources to fund its operations for the foreseeable future, and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

III New Standards and interpretations applied

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

		Effective Date*
IAS 1 & IAS 8 (Amendments)	New materiality definition	1 Jan 2020
IAS 1 (Amendments)	Updated references to Conceptual Framework	1 Jan 2020
IFRS 3 (Amendments)	Updated definition of a business	1 Jan 2020
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 Jun 2020**
IFRS 7, IFRS 9 & IAS 39 (Amendments)	Interest rate benchmark reform	1 Jan 2020

** periods commencing on or after*
***The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.*

The Company has early adopted the IFRS 16 Amendment for Covid-19-Related Rent Concessions from 1 June 2020. The Amendments to the above Standards, including the early adoption of the IFRS 16 Amendment, did not have a material impact on the TSIJ financial statements.

IV New Standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following Standards, which are relevant to the Company's reporting but have either not been applied as they have not been adopted for use in the EU in the year ended 31 March 2021, or have an effective date after the date of these financial statements:

		Effective Date*
IFRS 17	Insurance Contracts	1 Jan 2023
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
IAS 1 (Amendments)	Disclosure of Accounting Policies	1 Jan 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 Jan 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 Jan 2023
IAS 37 (Amendments)	Onerous Contracts—Cost of Fulfilling a Contract	1 Jan 2022
IAS 16 (Amendments)	Proceeds before Intended Use	1 Jan 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 Jan 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform—Phase 2	1 Jan 2021
IFRS 1, IFRS 9 Illustrative Example 13 of IFRS 16 and IAS 41 (Amendments)	Annual Improvements to IFRS Standards 2018–2020	1 Jan 2022**

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

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

V Use of estimates and critical accounting judgements

In the application of the Company's accounting policies, which are described in section VI, 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 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 Company's accounting policies
The BoD consider there are no critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

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) Provisions
Estimates in calculating provisions for environmental remediation, legal claims and employee benefits are based on previous experience and third-party advice and are reassessed on a regular basis. Judgement is required in assessing the likely costs and the timing of these costs. Further details on the Company's provisions can be found in note 17.

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 Company's annual plans and future forecasts. Further information can be found in note 19.

3) Impairment of non-current assets
A significant part of the Company's capital is invested in property, plant and equipment. Determining whether these assets are impaired requires an estimation of value in use of the Cash Generating Unit ('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 sensitive to changes in the discount rate used in the value in use models, the forecast profitability of the Company in the third year of the Company's Annual Plan, and the expected impact of decarbonisation (including carbon taxes) on the Company. Further details on the Company's impairment review, key assumptions, and sensitivity analyses are set out in note 16.

The detailed accounting policies for each of these areas, are outlined in section VI below

VI Critical accounting policies

(a) Property, plant and equipment

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

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

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

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

(b) Depreciation, amortisation and impairment of property, plant and equipment and 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 right-of-use assets, to their residual value, but with the exception of land. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives or, in the case of leased assets, over the lease period if shorter. The estimated useful lives of assets and residual values are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

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

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

At each reporting period end, the Company reviews the carrying amounts of its property, plant and equipment and other intangible assets (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 Company estimates the recoverable amount of the cash generating unit ('CGU') to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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) Provisions

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

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

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

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

VII Other accounting policies

(a) Revenue

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

(i) Sale of goods

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

The steel is often sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.
A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

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

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

(ii) Rendering of services

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

1) Bill and Hold Arrangements

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

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

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

2) Shipping and Handling Activity

Some shipping arrangements result in the Company incurring the costs to deliver goods to the named port of

destination (which include insurance and freight) which are considered to be distinct performance obligations under IFRS 15 as control of the goods passes at the port of shipment but the seller still has a separate obligation to arrange and pay for the freight and/or insurance to the port of destination.
The majority of steel supply contracts will include charges in relation to shipping and handling. There may be a separate fee for shipping and handling costs or shipping and handling might be implicit in the price per ton of the product.

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

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

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

(c) Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

(d) Insurance
Most of TSIJ's insurances are arranged by Tata Steel Europe ('TSE'). Insurance premiums in respect of those insurances placed by TSE on behalf of TSIJ and those arranged directly by TSIJ with insurers are charged to the income statement in the period to which they relate.

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

Interest expense, excluding that related to financing the construction of qualifying property, plant and equipment is expensed as incurred. Dividend income is recognised when the right to receive payment is established.

(f) Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into euros at the quoted rates of exchange ruling at the end of each reporting period. Income statement items and cash flows are translated into euros at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Company enters into forward contracts and options (see (f) below for details of the Company's accounting policies in respect of such derivative financial instruments).

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

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

(i) Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities. This includes the Company's €200m non-recourse debtor securitisation facility.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ('FVTOCI'):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

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

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

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

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

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

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

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

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

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

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

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

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

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

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at FVTPL.
An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

(h) 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 Company. In this case they are measured initially at fair value on acquisition or purchase cost and then amortised on a straight-line basis over their estimated useful lives. All

other costs on patents, trademarks and software are expensed in profit and loss as incurred.

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

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

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

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

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

(i) Leases

TSIJ 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.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, TSIJ 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 TSIJ 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 income statement in the period in which the events or conditions which trigger those payments occur.

(j) Inventories

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

(k) Cash and cash equivalents

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

(l) Equity

Share capital: Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's annual accounts in the period in which the dividends are approved by the Company's shareholders.

(m) Cash flow statement

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into euros 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.

Notes to the accounts

1. Revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major geographic regions. Substantially all revenue is derived from the sale of goods.

	2021 €m	2020 €m
Revenue by destination:		
The Netherlands	**635**	710
Europe excluding The Netherlands	**2,223**	2,417
North America	**439**	467
Rest of the world	**323**	331
	3,620	3,925

2. Operating costs

	2021 €m	2020 €m
Costs by type:		
Raw materials and consumables	**1,836**	2,009
Maintenance costs (excluding own labour)	**317**	306
Other external charges (including fuels and utilities, hire charges and carriage costs)	**407**	461
Employment costs (Note 4)	**751**	754
Depreciation, amortisation and impairment (Note 7,8)	**202**	205
Other operating items (including rents, rates, insurance and general expenses)	**344**	325
Changes in inventory of finished goods and work in progress	**9**	20
Own work capitalised	**(35)**	(42)
Impairment loss related to investment in subsidiary undertaking (Note 9)	**-**	4
Profit on sale of subsidiaries	**-**	(1)
	3,831	4,041

	Operating costs before restructuring, impairment and disposals €m	Restructuring, impairment and disposals €m	**Total €m**
The above costs in 2021 include:			
Raw materials and consumables	1,836	-	**1,836**
Maintenance costs (excluding own labour)	317	-	**317**
Other external charges (including fuels and utilities, hire charges and carriage costs)	407	-	**407**
Employment costs (Note 4)	748	3	**751**
Depreciation, amortisation and impairment (Note 7, 8)	192	10	**202**
Other operating items (including rents, rates, insurance and general expenses)	343	1	**344**
Changes in inventory of finished goods and work in progress	9	-	**9**
Own work capitalised	(35)	-	**(35)**
	3,817	14	**3,831**

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

	2021 €m	2020 €m
The above costs are stated after including:		
Amortisation of other intangible fixed assets (Note 7)	**9**	9
Depreciation of owned assets (Note 8)	**171**	175
Impairment losses related to property, plant and equipment (Note 3)	**10**	7
Depreciation of right of use assets	**12**	14
Expenses relating to short-term leases	**-**	2
Expenses relating to low value leases	**1**	1
Expenses relating to variable lease payments not included in lease liabilities	**17**	15
Costs of research and development (gross)	**39**	40
Impairments against trade receivables (Note 12)	**-**	1
Emission rights costs	**59**	52

3. Restructuring and impairment costs

	2021 €m	2020 €m
Provision for restructuring and related measures:		
Redundancy and related costs	**3**	10
Impairment losses related to property, plant and equipment (Note 8)	**10**	7
Impairment losses related to investments in subsidiary undertaking (Note 9)	**-**	4
Other rationalisation costs	**1**	-
	14	21

4. Employees

	2021 €m	2020 €m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**582**	580
Social security costs	**79**	81
Pension costs	**87**	83
Redundancy and related costs (Note 3)	**3**	10
	751	754

During the year as a result of the COVID 19 pandemic, the Company has received €36m in relation to employment support from the Netherlands government. This has been credited from the total wages and salaries expense during the year.

The average number of the Company's active employees was 8,280 (2020: 8,450). All employees are located in the Netherlands. The analysis of the headcount by business is: Strip Products MLE 7,250, Packaging IJmuiden 1,018 and other 12.

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

	2021 €m	2020 €m
Defined contribution scheme	**87**	83
	87	83

5. Financing items

	2021 €m	2020 €m
Finance costs		
Interest expense: leases	**(3)**	(3)
Interest expense: other borrowings	**(3)**	(2)
	(6)	(5)
Finance income		
Interest received	**2**	2
Dividends from subsidiaries	**2**	3
Dividends from joint ventures and associates	**6**	-
	10	5
	4	-

6. Taxation

	2021 €m	2020 €m
Dutch corporation tax	**(39)**	(21)
Dutch prior year corporation tax	**(4)**	27
Current tax	**(43)**	6
Dutch deferred tax	**(19)**	(9)
Prior year deferred tax	**-**	(26)
Taxation	**(62)**	(29)

In addition to the total taxation credited to the income statement, a tax charge of €7m (2020: a credit of €5m) was recognised in other comprehensive income in the year.

The total charge for the year can be reconciled to the accounting profit as follows:

The total charge for the year can be reconciled as follows:	2021 €m	2020 €m
Loss before taxation	**(207)**	(116)
Loss before taxation multiplied by the applicable corporation tax rate of 25% (2020: 25%)	**(52)**	(28)
Effects of:		
Adjustments in respect of prior periods	**(4)**	2
Impact of deferred tax rate change	**(5)**	(1)
Non-taxable income	**(3)**	(1)
Other differences	**2**	(1)
Total taxation	**(62)**	(29)

7. Intangible assets

2021	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	115	38	6	**159**
Additions	6	-	28	**34**
Utilisation	-	-	(6)	**(6)**
Cost at end of period	121	38	28	**187**
Amortisation at beginning of period	43	37	-	**80**
Charge for the period	8	1	-	**9**
Amortisation at end of the period	51	38	-	**89**
Net book value at end of the period	70	-	28	**98**

2020	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	104	38	24	**166**
Additions	11	-	-	**11**
Utilisation	-	-	(18)	**(18)**
Cost at end of period	115	38	6	**159**
Amortisation at beginning of period	36	35	-	**71**
Charge for the period	7	2	-	**9**
Amortisation at end of the period	43	37	-	**80**
Net book value at end of the period	72	1	6	**79**

8. Property, plant and equipment

2021	Land and buildings €m	Plant and machinery €m	Assets under construction €m	**Total €m**
Cost or valuation as at 1 April 2020	819	6,273	554	**7,646**
Additions	-	71	189	**260**
Transfers	20	102	(122)	**-**
Disposals	(4)	(165)	-	**(169)**
Cost at end of period	835	6,281	621	**7,737**
Depreciation as at 1 April 2020	654	5,154	-	**5,808**
Charge for the period	14	169	-	**183**
Impairment charge for the period	-	10	-	**10**
Disposals	(4)	(139)	-	**(143)**
Depreciation at end of period	664		-	**5,858**
Net book value at end of period	171	1,087	621	**1,879**

2020	Land and buildings €m	Plant and machinery €m	Assets under construction €m	Total €m
Cost or valuation as at 31 March 2019	823	6,103	447	**7,373**
Adoption of IFRS 16	1	25	-	**26**
Cost or valuation as at 1 April 2019	824	6,128	447	**7,399**
Additions	1	72	234	**307**
Transfers	(5)	132	(127)	**-**
Disposals	(1)	(59)	-	**(60)**
Cost at end of period	819	6,273	554	**7,646**
Depreciation as at 31 March 2019	641	5,010	-	**5,651**
Depreciation as at 1 April 2019	641	5,010	-	**5,651**
Charge for the period	13	176	-	**189**
Impairment charge for the period	-	7	-	**7**
Disposals	-	(39)	-	**(39)**
Depreciation at end of period	654	5,154	-	**5,808**
Net book value at end of period	165	1,119	554	**1,838**

There were no borrowing costs capitalised during the year (2020: nil).

Property, plant and equipment was tested for impairment at 31 March 2021 where indicators of impairment existed. This involves the Company estimating the recoverable amounts of individual Cash Generating Units (CGU).

The recoverable amount of the Company's most material CGU (Strip Products Mainland Europe) 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 based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, the direct and indirect effect of carbon taxes, and a pre-tax discount rate of 8.1% (2020: 8.0%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources.

In preparing the value in use calculation TSIJ has considered the effect that climate related risks may have on its future cash flow generation. Included within the cash flow forecasts are estimates for costs of compliance under the EU Emissions Trading Scheme based on the Company's estimated shortfall between free allowances under the scheme and actual emissions. The forecasts also consider the ability of the Company to fully mitigate these costs through a variety of different means including the ability to pass these costs onto customers and this is reflected in the long term steady state cash flow of the Strip Products MLE CGU.

The Strip Products Mainland Europe CGU may also incur additional costs in the future under a Netherlands specific carbon tax regime which has the effect of supplementing the price of EU emissions allowances (EUA's) in the EU ETS if they fall below a pre-determined, and increasing, annual threshold. Given the current price of EUA's and expected free allowances, the Netherlands specific carbon tax is not expected to apply to the Strip Products MLE CGU during the 3 years covered by the approved financial budgets and strategic forecasts. The extent of such costs in the longer term is uncertain given the relationship with the price of the EUA's, actual emissions (including the effect of decarbonisation investments), and a changing regulatory landscape (such as the proposed EU carbon border adjustment mechanism). In all cases TSIJ expects any future costs of the Netherlands specific carbon tax to be fully mitigated through a variety of different means including the ability to pass these costs onto customers and therefore the value in use calculation does not include any change to the long term steady state cash flow of the Strip Products MLE CGU arising from the introduction of this tax.

In the long term, it is expected that in order to meet TSIJ's goal of being carbon-neutral by 2050 and to reduce CO2 emissions by 40% by 2030 (compared to those in 2018) at its IJmuiden steelworks, technological changes in the primary steel production process within the Strip Products MLE CGU will be required. For example this may include Carbon Capture Use and Storage and/or the production of steel using hydrogen rather than coal. Further details on TSN's decarbonisation strategy are included on page 9. The technological shift required to enable the transition to carbon neutral will require significant long term investments that will be conditional upon national energy infrastructure, requirements for a global level playing field for the steel industry (e.g. EU carbon border adjustment mechanism), and access to sustainable finance which may include direct government support to the industry. Given the many uncertainties around decarbonisation, and that these long term investments are not committed, these long term investments have not been factored into the value in use projections.

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 8.1% (2020: 8.0%) is derived from the Company's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. The outcome of the Company's PPE impairment test as at 31 March 2021 for the Strip Products Mainland Europe CGU resulted in no impairment of PPE (2020: £nil).

At 31 March 2021 the value in use exceeded the carrying value of the CGU by €2,460m. The Company has conducted sensitivity analysis on the impairment test of the carrying value of the Strip Products MLE CGU. The Board of Directors believe that no reasonable possible change in any of the key assumptions used in the value in use calculation would cause the carrying value of the PPE to materially exceed its value in use. In a worst case scenario where the Netherlands specific carbon tax and the estimated costs of compliance under the EU Emissions Trading Scheme were to negatively impact on the long term steady state cash flow of the CGU without any mitigation of such costs, the headroom of the value in use above the carrying value of the CGU could reduce by up to €226m for every 5% of the costs from the tax which were not mitigated.

The €10m impairment charge in 2021 relates to specific assets. The €7m impairment charge in 2020 also relates to specific assets.

(i)

	2021 **€m**	2020 €m
The net book value of plant and machinery comprises:		
Assets held under leases:		
Cost	**117**	122
Accumulated depreciation	**(87)**	(86)
	30	36
Owned assets	**1,058**	1,083
	1,088	1,119

The additions to the right-of-use assets during the 2021 financial period were €6m (2020: €7m).

9. Investments in subsidiaries, joint ventures and associates

	Investments in subsidiaries €m	Investments in joint ventures €m	Investments in associates €m	**Total 2021 €m**	Total 2020 €m
Carrying value at beginning of period	40	12	8	**60**	66
Additions	-	-	-	**-**	37
Disposals	-	-	-	**-**	(2)
Disposals due to merger	-	-	-	**-**	(37)
Impairment loss recognised in the year	-	-	-	**-**	(4)
Carrying value at end of period	40	12	8	**60**	60

(i) The carrying values of the Company's investments are tested annually for impairment using an enterprise value ('EV') calculation. The calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts which cover a period of three years and future projections taking the analysis out into perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the value in use calculation are those regarding expected changes to selling prices and raw material costs, EU steel demand, exchange rates, and a pre-tax discount rate of 8.1% (2020: 8.0%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources. The pre-tax discount rate is derived from the Company's WACC and the WACCs of its main European steel competitors. The outcome of the test at 31 March 2021 resulted in €nil impairment (2020: €4m). The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's investments and recognise that a reasonably possible change in any of the key assumptions would increase the likelihood of impairment losses in the future for the Company's residual investment of €2m in Naantali Steel Service Centre OY.

10. Inventories

	2021 €m	2020 €m
Raw materials and consumables	**274**	312
Work in progress	**201**	196
Finished goods and goods for resale	**276**	289
	751	797

The value of inventories above is stated after impairment of €18m (2020: €16m) for obsolescence and write-downs to net realisable value. Work in progress includes semi-finished and partly processed materials.

11. Current tax

	2021 €m	2020 €m
Dutch corporation tax assets - current	**66**	-
Dutch corporation tax liabilities – current	**(3)**	(137)
	63	(137)

The current tax position is an intercompany position with the head of the fiscal unity TSNH.

12. Trade and other receivables

	2021 €m	2020 €m
Trade receivables	**185**	297
Less provision for impairment of receivables	**(2)**	(4)
	183	293
Amounts owed by parent undertakings (Note 26)	**3**	4
Amounts owed by other Tata Steel companies (Note 26)	**255**	225
Amounts owed by subsidiary undertakings (Note 26)	**15**	14
Amounts owed by joint ventures (Note 26)	**13**	8
Amounts owed by associates (Note 26)	**14**	10
Loans to other Tata Steel companies (Note 26)	**51**	50
Derivative financial instruments (Note 16)	**51**	22
Other taxation	**6**	11
Prepayments	**21**	14

Other receivables	**45**	34
	657	685

(i) Loans to other Tata Steel companies at 31 March 2021 includes a loan to Tata Steel UK Limited ('TSUK') of €50m. In view of the full guarantee for this loan that has been provided by T S Global Holdings Pte Ltd ('TSGH') to TSIJ, Management is confident that this loan is fully recoverable. In addition, there are opportunities for future settlement of this loan with amounts payable to TSUK.

(ii) Trade receivables are further analysed as follows:

31 March 2021	**Gross amount €m**	**Subject to credit insurance cover €m**	**Impairment provision made €m**	**Net credit risk amount €m**
Trade receivables:				
Amounts not yet due	**131**	**(99)**	**-**	**32**
One month overdue	**23**	**(22)**	**-**	**1**
Two months overdue	**16**	**(14)**	**-**	**2**
Three months overdue	**3**	**(3)**	**-**	**-**
Greater than three months overdue	**12**	**(9)**	**(2)**	**1**
	185	**(147)**	**(2)**	**36**

31 March 2020	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount €m
Trade receivables:				
Amounts not yet due	276	(255)	-	21
One month overdue	9	(9)	-	-
Two months overdue	2	(2)	-	-
Three months overdue	3	(2)	-	1
Greater than three months overdue	7	(1)	(4)	2
	297	(269)	(4)	24

(iii) Movements on the provision for impairment of receivables are as follows:

	2021 €m	2020 €m
At beginning of period	**4**	4
Impairments in the period	**-**	1
Amounts utilised and other movements	**(2)**	(1)
At end of period	**2**	4

13. Cash, short-term deposits and short-term investments

	2021 €m	2020 €m
Short-term deposits with TSN	**162**	**215**
Cash at bank and in hand	**144**	**148**
Cash and other short-term deposits	**306**	**363**

	2021			2020		
	Short-term deposits €m	**Cash €m**	**Total €m**	Short-term deposits €m	Cash €m	Total €m
Sterling	**-**	**23**	**23**	-	28	28
Euros	**162**	**193**	**355**	215	158	373
US dollars	**-**	**(72)**	**(72)**	-	(45)	(45)
Other currencies	**-**	**-**	**-**	-	7	7
	162	**144**	**306**	215	148	363

Short-term deposits are highly liquid investments with original maturities of three months or less. The effective interest rate on short-term deposits was 0.0% (2020: 0.0%).

14. Trade and other payables

	2021 €m	2020 €m
Trade payables	**402**	385
Amounts owed to parent undertakings (Note 26)	**6**	41
Amounts owed to other Tata Steel companies (Note 26)	**33**	57
Amounts owed to subsidiary undertakings (Note 26)	**6**	3
Amounts owed to associates (Note 26)	**3**	3
Other taxation	**42**	23
Capital expenditure creditors	**116**	132
Derivative financial instruments (Note 16)	**23**	37
Other payables	**296**	229
	927	910

Other payables include amounts provided in respect of holiday pay, other employment costs including COVID-19 employment support from Governments for which the Company has received cash but not qualified for the grant and sundry other items.

15. Borrowings

	2021 €m	2020 €m
Current:		
Other short term loans	**1**	-
Overdrafts	**156**	-
Loans from group companies	**-**	32
Lease liabilities	**11**	13
	168	45

	2021 €m	2020 €m
Non-current:		
Loans	**3**	1
Lease liabilities	**47**	53
	50	54
Total borrowings	**218**	99

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

	2021				2020		
	Fixed rate borrowings €m	**Floating rate borrowings €m**	**Zero rate borrowings €m**	**Total €m**	Fixed rate borrowings €m	Zero rate borrowings €m	Total €m
Euros	**62**	**156**	**-**	**218**	87	12	99

Further details of fixed rate non-current borrowings are as follows:

	2021		2020	
	Weighted average fixed interest rate %	**Weighted average time for which rate is fixed Years**	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Euros	**4.6**	**6.3**	3.8	5.5

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For identification purposes only

(ii) The maturity of borrowings is as follows:

	2021 €m	2020 €m
In one year or less or on demand	**171**	48
Between one and two years	**12**	12
Between two and three years	**10**	10
Between three and four years	**9**	8
Between four and five years	**7**	8
More than five years	**20**	26
	229	112
Less: amounts representing interest in future minimum lease payments	**(11)**	(13)
	218	99
Amounts falling due within one year	**168**	45
Amounts falling due after more than one year	**50**	54

Amounts payable under leases are as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2021 €m	2020 €m	**2021 €m**	2020 €m
Not later than one year	**14**	16	**11**	13
Later than one year but not more than five years	**35**	37	**29**	29
More than five years	**20**	26	**18**	24
	69	79	**58**	66
Less: future finance charges on leases	**(11)**	(13)	**-**	-
Present value of lease liabilities	**58**	66	**58**	66

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

16. Financial instruments and risk management

(i) Financial assets and financial liabilities recognised in the balance sheet

The carrying amounts of the Company’s financial assets and financial liabilities (excluding derivative assets and liabilities) are:

	2021 €m	2020 €m
Financial assets		
Trade and other receivables (Note 12) [1]	**579**	638
Cash and cash equivalents (Note 13)	**306**	363
	885	1,001
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (Note 14) [2]	**(863)**	(849)
Current borrowings (Note 15)	**(168)**	(45)
Non-current borrowings (Note 15)	**(50)**	(54)
	(1,081)	(948)
	(196)	53

1 Excludes other taxation and prepayments and derivatives
2 Excludes other taxation, and derivatives

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(ii) Fair value measurements recognised in the balance sheet

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

2021	Level 1 €m	Level 2 €m	Level 3 €m	**Total €m**
Financial assets at fair value through other comprehensive income:				
Commodity contracts	**-**	**15**	**-**	**15**
Forward foreign currency contracts	**-**	**36**	**-**	**36**
	-	**51**	**-**	**51**
Financial liabilities at fair value through other comprehensive income:				
Commodity contracts	**-**	**(4)**	**-**	**(4)**
Forward foreign currency contracts	**-**	**(19)**	**-**	**(19)**
	-	**(23)**	**-**	**(23)**

2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets at fair value through other comprehensive income:				
Commodity contracts	-	6	-	6
Forward foreign currency contracts	-	16	-	16
	-	22	-	22
Financial liabilities at fair value through other comprehensive income:				
Commodity contracts	-	(26)	-	(26)
Forward foreign currency contracts	-	(12)	-	(12)
	-	(38)	-	(38)

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

(iii) Financial risk management and financial instruments

The Company uses certain financial instruments to reduce business risks arising from its exposure to fluctuations in exchange rates and base metal prices. The instruments used, which are confined principally to forward foreign exchange contracts and London Metal Exchange contracts, involve elements of credit and market rate risk in excess of the amount recognised in the accounts.

Risk management is carried out by a central Treasury department under policies approved by the Board of Management of TSN. The Treasury department identify, evaluate and hedge financial risks in close cooperation with Tata Steel IJmuiden's operating units.

(a) Market risk: foreign exchange risk and management
It is the policy of the Company that substantially all the net currency transaction exposures arising from contracted sales and purchases are hedged by selling or purchasing foreign currency forwards. At 31 March 2021, the notional amount of outstanding foreign currency contracts was €1,757m (2020: €2,604m) with a net fair value of €17m (2020: €4m).

At 31 March 2021, a 10% appreciation of the euro against the US dollar would increase the net assets of the Company by approximately €4m (2020: increase by €24m), decrease equity by approximately €4m (2020: decrease by €24m) and have no impact on the operating profit (2020: no impact). The sensitivity analysis has been based on the composition of the dollar denominated financial assets and liabilities of the Company at 31 March, excluding trade payables, trade receivables, other non-derivative financial instruments not in debt and financial lease obligations, which do not present a material exposure.

The net positions on currencies other than the US dollar are of less importance and the sensitivity for a 10% weakening/strengthening of the euro is not significant.

(b) Market risk: commodity risk and management
The Company makes use of commodity futures contracts to manage its purchase price risk for certain commodities. Forward purchases are made of zinc, tin and nickel to cover sales contracts with fixed metal prices. At 31 March 2021, the Company had commodity contracts with a total notional value of €133m (2020: €244m) and a net fair value of €11m (2020: €(20)m).

At 31 March 2021, a 10% appreciation of market prices would increase the Company's equity by approximately €2m (2020: increase of €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 rate risk and management
The financial structure of the Company is conservative with the only borrowings in the Company being leases, short term loans from group companies and a minimal amount of long term external loans. During 2021 and 2020, the Company's borrowings were denominated in euro. The Company did not enter into interest rate swap contracts or forward rate agreements.

On 31 March 2021 the Company had fixed rate borrowings of €62m (31 March 2020: €99m) and floating rate borrowings of €156m (31 March 2020: €nil). The Company had short term deposits of €162m on 31 March 2021 (on 31 March 2020: €215m). If at 31 March 2021 the interest rate would have been 100 bps higher/lower, with all other variables held constant, profit after taxes and cash flow would show no change (2020: €nil).

For further details of the borrowings, such as maturity and interest rates, see Note 15.

(d) Credit risk
Cash deposits, trade receivables and other financial instruments give rise to credit risk for the Company arising from the amounts and obligations due from counter-parties. The credit risk on short-term deposits is managed by limiting the aggregate amount 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.

Sector sales teams, supported by the TSE's central credit risk management department are responsible for controlling the credit risk arising from the Company'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 exposures to key customers and those where known risks have arisen or persist. Any impairment to the recoverability of debtors is reflected in the income statement.

Credit risk also arises from the possible failure of counter-parties to meet their obligations under currency and commodity hedging instruments. However, counter parties are established banks and financial institutions with high credit ratings and the Company 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 Company's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. The Company believes that the risk of incurring such losses is remote and underlying principal amounts are not at risk.

(e) Liquidity risk
Liquidity risk is defined as the risk that the Company could not be able to settle or meet with its financial liabilities on time and at a reasonable price. The Treasury department is responsible for liquidity and funding and manages the liquidity risk managed by maintaining sufficient cash resources and by maintaining the availability of funding through available committed and uncommitted credit facilities. The management of the liquidity risk is based on the calculation of the future net liquidity which results from the expected cash outflows and inflows.

The following table is a maturity analysis of the anticipated contractual cash flows including interest payable for the Company's derivative and non-derivative financial liabilities on an undiscounted basis, which therefore differs from both the carrying value and fair value. Floating interest rate 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 as at 31 March.

	Maturity of contractual undiscounted cash flows			
2021	**Contractual cash flows €m**	**In one year or less or on demand €m**	**Between one and five years €m**	**More than five years €m**
Non-derivative financial liabilities				
Trade and other payables 1	**(863)**	**(863)**	**-**	**-**
Borrowings				
Repayment	**(218)**	**(168)**	**(32)**	**(18)**
Fixed interest	**(11)**	**(3)**	**(6)**	**(2)**
	(1,092)	**(1,034)**	**(38)**	**(20)**
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	**(1,740)**	**(1,740)**	**-**	**-**
Receivables	**1,757**	**1,757**	**-**	**-**
Derivatives commodities: net settlement	**11**	**11**	**-**	**-**
	28	**28**	**-**	**-**
Total	**(1,064)**	**(1,006)**	**(38)**	**(20)**

1 Excludes other taxation, and derivatives

2020	Contractual cash flows €m	In one year or less on demand €m	Between one and five years €m	More than five years €m
	Maturity of contractual undiscounted cash flows			
Non-derivative financial liabilities				
Trade and other payables 1	(849)	(849)	-	-
Borrowings				
Repayment	(99)	(45)	(30)	(24)
Fixed interest	(13)	(3)	(8)	(2)
	(961)	(897)	(38)	(26)
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	(2,584)	(2,584)	-	-
Receivables	2,588	2,588	-	-
Derivatives commodities: net settlement	(20)	(20)	-	-
	(16)	(16)	-	-
Total	(977)	(913)	(38)	(26)

1 Excludes other taxation, and derivatives

(iv) Derivative financial instruments

The Company utilises currency and commodity derivatives to hedge significant future transactions and cash flows. These items gave rise to the following fair values that have been recognised in the balance sheet:

	2021		2020	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	15	**(4)**	6	(26)
Forward foreign currency contracts	**36**	**(19)**	16	(12)
	51	**(23)**	22	(38)

The fair value of derivative financial instruments that were designated as cash flow hedges at the balance sheet date were:

2021	**Forward foreign currency contracts €m**	**Commodity contracts €m**	**Taxation €m**	**Total €m**
Cash flow hedge reserve net of taxation at beginning of period	**2**	**(10)**	**2**	**(6)**
Fair value recognised	**7**	**22**	**(7)**	**22**
Cash flow hedge reserve net of taxation at end of period	**9**	**12**	**(5)**	**16**

2020	**Forward foreign currency contracts €m**	**Commodity contracts €m**	**Taxation €m**	**Total €m**
Cash flow hedge reserve net of taxation at beginning of period	7	7	(3)	11
Fair value recognised	(5)	(17)	5	(17)
Cash flow hedge reserve net of taxation at end of period	2	(10)	2	(6)

At the balance sheet date, the notional amount of outstanding foreign currency and commodity contracts that the Company has committed to are as follows:

	2021 €m	2020 €m
Commodity contracts	**133**	244
Forward foreign currency contracts	**1,758**	2,604

During the year, no significant ineffectiveness on cash flow hedges was recognised in profit and loss (2020: €nil).

17. Provisions for liabilities and charges

	Rationalisation Costs (i) €m	Environmental Provisions (ii) €m	Employee Benefits (iii) €m	**Total 2021 €m**	Total 2020 €m
At beginning of period	9	73	76	**158**	125
Charged to income statement	3	96	8	**107**	67
Released to income statement	-	(5)	-	**(5)**	(6)
Utilised during the period	(10)	(26)	-	**(36)**	(28)
At end of period	2	138	84	**224**	158
Analysed as:					
Current liabilities	2	118	6	**126**	62
Non-current liabilities	-	20	78	**98**	96

(i) Rationalisation costs include redundancy provisions as follows:

	2021 €m	2020 €m
At beginning of period	**9**	-
Charged to income statement (Note 4)	**3**	10
Utilised during the period	**(10)**	(1)
At end of period	**2**	9

(ii) Environmental provisions consist of remediation and clean-up activities that need to be undertaken in the foreseeable future and of which the costs can reasonably be estimated, together with provisions for CO2 emission rights.

(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.

18. Other non-current liabilities

As at 31 March	**2021 €m**	2020 €m
Other taxation and social security	**63**	-
Other creditors	**-**	1
	63	1

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

19. Deferred tax

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

	2021 €m	2020 €m
Deferred tax asset	**61**	49

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

2021	Accelerated tax depreciation €m	Stocks €m	Provisions €m	Other €m	**Total €m**
At beginning of period	9	3	35	2	**49**
Credited/(charged) to income statement	5	(2)	16	-	**19**
Charged to other comprehensive income	-	-	-	(7)	**(7)**
At end of period	14	1	51	(5)	**61**

2020	Accelerated tax depreciation €m	Stocks €m	Provisions €m	Other €m	Total €m
At beginning of period	7	2	4	(4)	**9**
Credited to income statement	2	1	31	1	**35**
Credited to other comprehensive income	-	-	-	5	**5**
At end of period	9	3	35	2	**49**

At the balance sheet date there are temporary differences associated with undistributed earnings of subsidiaries. No liability has been recognised in respect of these differences because the vast majority of these differences occur in the Netherlands, for which the participation exemption applies.

20. Deferred income

	2021 €m	2020 €m
At beginning of year	**4**	6
Released to income statement	**(1)**	(2)
At end of year	**3**	4

21. Called up share capital

The authorised share capital of the Company as at 31 March 2021 amounts to €225,000,000 (31 March 2020: €225,000,000) and consists of 500,000 ordinary shares of each €450 (31 March 2020: €450). As of 31 March 2021, 250,000 ordinary shares of €450 each were issued and fully paid up, totalling to a nominal value of €112,500,000 (31 March 2020: €112,500,000).

22. Future capital expenditure

	2021 €m	2020 €m
Contracted but not provided for	**78**	179
Authorised but contracts not yet placed	**320**	69

23. Operating leases

	2021 €m	2020 €m
Future exposure for cash outflows the Company at the end of the period are:		
Future cash outflows to leases committed but not yet commenced	**-**	**1**
Future cash outflows relating to termination and extension options	**1**	**-**
	1	**1**

24. Contingencies

	2021 €m	2020 €m
Guarantees and securities	**-**	8

The Company is part of the fiscal unity “Tata Steel Netherlands Holdings B.V.” and for that reason could be liable for the tax liabilities of the whole fiscal unity.

There are no significant legal claims that need to be recognised as contingent liabilities.

25. Analysis of changes in net funds

	1 April 2020 €m	Cash Flow €m	Other movements	**31 March 2021 €m**
Loans to other Tata Steel companies	51	-	1	**51**
Cash at bank and short-term deposits	363	(57)	-	**306**
Bank overdrafts	-	(156)	-	**(156)**
Cash and cash equivalents	363	(213)	-	**150**
Borrowings	(33)	30	(1)	**(4)**
Obligations under leases	(66)	13	(5)	**(58)**
Total debt excluding bank overdrafts	(99)	43	(6)	**(62)**
Total net funds	315	(170)	(5)	**139**

26. Related party transactions

The table below sets out details of transactions and loans between the Company, its joint ventures, associates and other Tata Steel group companies.

	2021 €m	2020 €m
Amounts reported within the income statement:		
Sales to joint ventures	**68**	87
Sales to associates	**105**	121
Sales to other Tata Steel companies	**917**	1,009
Purchases from associates	**33**	35
Purchases of raw materials from other Tata Steel companies, acting as an agent	**1,150**	1,191
Other purchases from other Tata Steel group companies	**131**	130
Net recharges from other Tata Steel companies	**89**	84
Amounts reported within the balance sheet:		
Amounts owed by parent undertakings (Note 12)	**3**	4
Amounts owed by other Tata Steel companies (Note 12)	**255**	225
Amounts owed by subsidiary undertakings (Note 12)	**15**	14
Amounts owed by joint ventures (Note 12)	**13**	8
Amounts owed by associates (Note 12)	**14**	10
Amounts owed to parent undertakings (Note 14)	**6**	41
Amounts owed to other Tata Steel companies (Note 14)	**33**	57
Amounts owed to subsidiary undertakings (Note 14)	**6**	3
Amounts owed to associates (Note 14)	**3**	3
Loans to other Tata Steel companies (Note 12)	**51**	50
Loans from parent undertakings (Note 15)	**-**	32
Short term deposits with parent undertakings (Note 13)	**162**	215

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Details of transactions with key management personnel are given in 'Further notes to and signing of the annual accounts' on page 42.

27. Subsidiaries and investments

The subsidiary undertakings, joint ventures, joint operations and associates of the Company at 31 March 2021 are set out below. Country names are countries of incorporation. Undertakings operate principally in their country of incorporation except where otherwise stated.

Subsidiary undertakings
Steel producing, further processing or related activities:

Belgium
Societe Europeenne de Galvanisation (Segal) SA
Tata Steel Belgium Packaging Steels N.V. (58.97%)

Finland
Naantali Steel Service Centre OY

Sweden
Halmstad Steel Service Centre AB

The Netherlands
Huizenbezit "Breesaap" B.V.

Unless indicated otherwise, subsidiary undertakings are wholly owned within the Company. The Company's holding comprises ordinary shares and 100% of the voting rights.

Joint ventures, joint operations and associates

	Classification	Products	2021 Turnover €m		Issued capital Number of shares	% held
The Netherlands						
GietWalsOnderhoudCombinatie B.V.	Associate	Maintenance of parts of direct sheet plant	11	Shares of €454	100	50
Hoogovens Court Roll Surface Technologies VOF	Joint Operation	Processing chrome deposit on rolls	4	-	-	50
Laura Metaal Holding B.V.	Joint Venture	Trading and processing of non-prime metal	103	Shares of €454	5,600	49
Wupperman Staal Nederland B.V.	Associate	Purchase, process, refine and sale of steel products and other metal products	249	Shares of €1,000	8,000	30
Norway						
Norsk Stal Tynnplater AS	Joint Venture	Processing of strip and long products	45	Shares of NOK1,000	26,500	50

28. Events after the reporting period

The Report describes that various alternatives are being explored to realise TSIJ's decarbonisation ambitions.
On 15 September 2021 Tata Steel Nederland has announced that going forward, it will fully focus on the production of green steel via the hydrogen route, applying DRI technology.
On 1 October 2021, TSE announced the separation of its managerial organisation structure into a UK Value Chain and a MLE Value Chain organisation. TSIJ will be part of the MLE Value Chain.

Further notes to and signing of the Annual Accounts

Remuneration of and loans to members of the Board of Directors

	2021	2020
	€	€
The total employment costs of the Board of Directors of Tata Steel Ijmuiden B.V. were:		
Short term employee benefits	**870,148**	1,390,866
Long term employee benefits	**-**	252,218
Post employee benefits	**154,760**	212,167
Termination benefits	**1,954,084**	-
Total emoluments of current and former members	**2,978,992**	1,855,251

The termination benefits have been agreed by the shareholder of TSN and exclude an accrual of €642,117 for estimated additional wage tax payable by the Company in accordance with Dutch tax laws.

The amounts of loans granted as at 31 March 2021 totalled €nil (31 March 2020: €nil).

Appropriation of the result for the financial year 2021
We propose to deduct the loss of €(145)m over the financial year from the Retained earnings. In anticipation of the formal approval by the General Meeting of Shareholders this has already been reflected in these financial statements.

Signing of Annual Accounts

All the members of the Board of Directors have signed the 2021 Annual Accounts of Tata Steel IJmuiden B.V.

Board of Directors

J. van den Berg, Chairman

J.E van Dort

IJmuiden, 2 November 2021

C. Other information

Independent Auditor's Report
Reference is made to the Independent Auditor's Report as included hereinafter.

Appropriation of result according to Articles of Association
Article 36 of the Articles of Association stipulates that the profit available for distribution is at the disposal of the General Meeting of Shareholders.

D. Independent auditor's report

To the shareholders and board of Tata Steel IJmuiden B.V.

REPORT ON THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2021 INCLUDED IN THE ANNUAL ACCOUNTS