TATA STEEL

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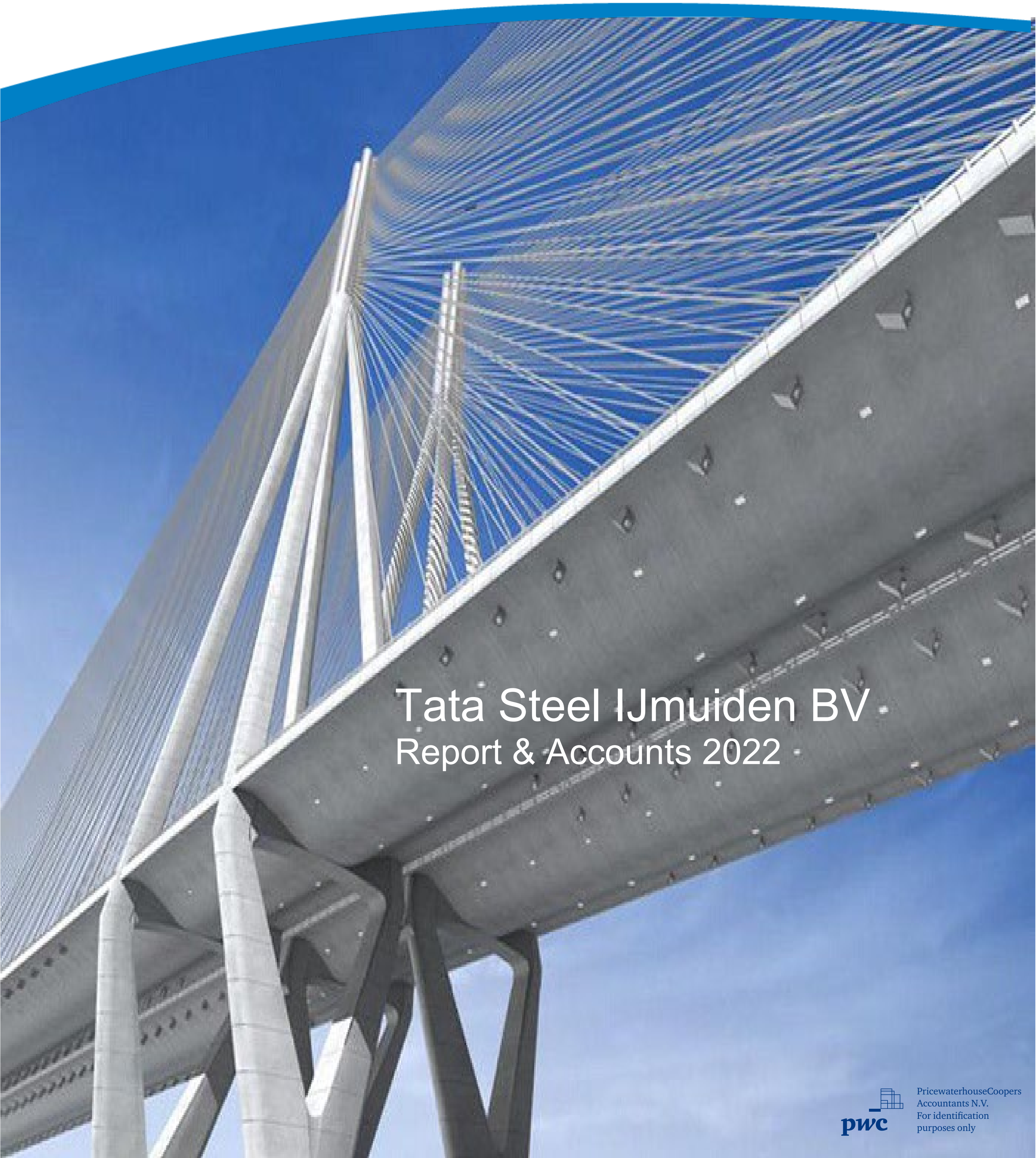

Tata Steel IJmuiden BV

Report & Accounts 2022

PricewaterhouseCoopers
Accountants N.V.
For identification
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A. Report of the Board of Directors

Introduction

The Board of Directors ('BoD') of Tata Steel IJmuiden B.V. ('TSIJ' or 'the Company') herewith presents the annual report together with the audited accounts of TSIJ for the year ended 31 March 2022 ('FY22').

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

The BoD would like to express its gratitude to all TSIJ employees for their contributions to the Company's performance in FY22 and their support to realise the result for the current year.

Principal business activities

TSIJ is one of mainland Europe largest steel producers, comprising of the integrated steelworks and rolling and coating operations in IJmuiden, as well as production sites in Belgium and steel service centres in Finland and Sweden. TSIJ supplies high-quality steel products throughout the world in demanding markets such as construction, automotive, packaging and to manufacturers of lifting, mining and earthmoving machinery.

Strategic activities

Separation

On 13 November 2020 TSL announced that separate strategic paths would be pursued for the Netherlands and UK business and that the process to separate its Dutch activities consisting of TSN and British Steel Nederland International BV (hereafter: "BSNI") and Tata Steel UK had started immediately. In 2021, TSE, TSN and TSUK progressed with the plans to separate the businesses centred in the UK and the Netherlands into two 'Value Chains', each with their own governance structures to give them greater agility and management focus, while still benefiting from operating together under the Tata Steel brand and offering a coordinated approach to customers and suppliers. Following consultation with the works council, this organisational change (known as 'Separation') took effect from 1 October 2021 and created two businesses, one centred in the Netherlands but including manufacturing assets elsewhere in mainland Europe ('MLE') and the United States, along with other international sales offices (together 'the MLE Business') and the other one centred on the UK but also including manufacturing assets in Sweden as well as certain international sales offices (together 'the UK Business'). For TSN this means that as of 1 October 2021, primary management and decision-making responsibility have moved from the TSE group level down to the Board of Management of TSN. Following Separation, TSE's role is to provide financial oversight and assurance in relation to TSE and to support where necessary effective co-ordination between the two 'Value Chains'. TSIJ is the main subsidiary of TSN.

Decarbonisation

During the year TSN announced plans to pursue a fully sustainable future for its steelworks in IJmuiden, part of TSIJ, by adopting a hydrogen route involving the introduction of direct reduced iron (DRI) technology which can make iron using natural gas or hydrogen before it is converted to steel in one or more electric furnaces. These plans will be further explained in this report. More information can be found on https://omgeving.tatasteel.nl/.

Throughout the year TSIJ continued to build on its successful company-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. The programme generated operational cost performance improvements as well as value enhancement of the sales revenues.

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.

Macroeconomic environment

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

Steel demand and production

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

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

Raw materials and steel prices

The principal raw materials used in 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 2021/22 to US$154/t (+$26/t). The price was particularly high in the first half of the year with an all-time high in June 2021 of US$215/t as demand from Chinese mills was strong. The hard coking coal spot price (Australia FOB) increased to US$313/t (+$196/t). The price increased during the year due to a combination of strong seaborne demand from India, Japan, South Korea and Europe as industrial output improved, high demand for non-Australian coals from China and limited supply in the spot market. The price was at an all-time high of 594 US$/t in March due to the loss of supply from Russia as a result of the war in the Ukraine. The German benchmark scrap price (Sorte 2/8) increased to €437/t (+€196/t) compared to the previous financial year.

The price of CO2 increased in 2021/22 to €65/t (+€36/t), reaching an all-time high in February 2022 at €91/t. Increasing industrial output and reforms of the EU Emissions Trading System, reducing the supply of permits, have caused the price to rise.

The European steel spot Hot Rolled Coil price (Germany, parity point) increased in 2021/22 to €1,055/t (+€520/t). The price increased strongly as demand for steel was high whilst supply was limited. In March 2022 the steel price was at an all-time high of €1,240/t due to the loss of supply from Ukraine and Russia.

Trade

In 2021 imports into the EU declined to 30.3Mt (2020: 22.4Mt). High margins made it profitable for exporters to sell material in the EU. In 2021 the market share of imports in the EU increased to 18.6% (2020: 16.5%). The market share of imports in the EU is at a historical high.

The EU remains a net importer of steel with net imports of 10.9Mt (imports: 30.3Mt, exports: 19.4Mt). The region became a net importer in 2015.

Financial review

The Company's turnover increased from €3,620m in FY21 to €5,943m in FY22 primarily due to the strong recovery of the steel markets from FY21 which was impacted by the COVID-19 pandemic. The operating result reverses from a €(211)m loss in FY21 to a €844m profit in FY22 on the back of the improved steel spreads in the European steel markets. The result before taxation improved from a €(207)m loss in FY21 to a €837m profit in FY22. The net profit after taxation amounted to €630m compared to a net loss of €(145)m in FY21.

Capital and reserves increased by €644m to €3,084m at the end of FY22.

The increase of €644m consisted of:

- Profit for the period of €630m; and
- Other comprehensive profits for the year of €14m, mainly attributable to profits arising on cash flow hedges.

Net cash flow from operating activities totalled €759m, an increase of €634m compared with FY21. Net cash flow from investment activities amounted to €(227)m (FY21: €(295)m). Including movements in cash flow from financing activities, the net movement in cash and cash equivalents amounted to an inflow of €699m (FY21: €(213)m outflow).

TSIJ's financial risk management is based upon sound economic objectives and good corporate practice, including fraud detection and mitigation. TSIJ's main financial risks are related to the availability of sufficient funds to meet its business needs, including the ability to continue the strategic investments in the Strategic Asset Roadmap Programme ('STAR') and meeting its sustainability ambitions. To manage this risk, the Company continues to focus on generating positive cash flows and keeping sufficient access to funding possibilities, including government support for decarbonisation investments.

Capital expenditure

Under the STAR significant capital expenditures are being made 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 2021/22 included, in October 2021, the commissioning of a new continuous caster on the IJmuiden site. With the new installation, Tata Steel can produce an even wider range of advanced steels, including so-called 'advanced high strength steels' and 'ultra-high strength steels', which are super strong, but also very formable at the same time. This enables customers to make products that contribute to making society more sustainable. For example, car manufacturers can use these types of steel to design lighter and therefore more economical cars, which are at the same time even safer than the current models. Work on the cold mill upgrade progressed whilst the preparatory work on the revamp to Blast Furnace 6 at IJmuiden also continued. Alongside these, investments to support the Roadmap Plus programme are developed, aimed at creating a better living environment for the local community through extra measures and investments. This will significantly reduce the nuisance caused by dust, noise and odour in the coming years.

Business review

On its 750 ha site on the Dutch coast, TSIJ's fully integrated agglomerate, coking, iron and steel works manufactured 6,6mt liquid steel in FY22 (FY21:6,2mt), further processed in its rolling and coating operations into 5,8mt (FY21:5,6mt) deliveries of hot and cold rolled, metallic-coated and tin-plated steels. These products went world-wide into the automotive, transport and packaging industries, the building and construction sector and to producers of electronics, consumer and general engineering applications.

Safety continues to be the Company's first priority as it strives to be the industry benchmark. The Lost Time Injuries (LTI) rate is a measure of safety performance, expressed as the number of incidents leading to absence from work per million worked hours. For TSIJ, the combined LTI rate for employees and contractors was 0.9, which is 0.4 better than last year.

The environmental performance of the Company has clearly improved, also reflected in the almost halving of the number of complaints received. Still the communities are worried by the emissions of the Company. TSIJ is executing an extensive program, the Roadmap+, to improve its performance on a very short time scale (2 years). The first projects have been delivered.

With steel markets strongly recovering from the COVID-19 pandemic impacted lows of previous year, favourable steel spreads and improving volumes allowed for a very profitable operating result in FY22, compared to an operating loss in FY21.

In FY22 the Company has made significant and critical choices in its journey to become Green, Clean and Circular. This is extensively described in the section 'Sustainability and Environment' later in this report.

Research & development

Research & Technology programme

Approximately 80% of the TSIJ technology programme was developed under the governance of the Research Portfolio Committees ('RPCs') of TSN. The RPCs cover process and product market sector developments. The remaining capacity was primarily allocated to the Strategic Thrust programme [approx. 20%] for various projects including:

- HIsarna technology: Environmentally more friendly, 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). Engineering for upscaling (1 mln tonnes/yr demo plant) commenced and continued in FY22, in close collaboration with a dedicated team in Jamshedpur. The Reclamet project (using HIsarna for recycling Zn-coated steel scrap) awaits restart of the plant trials in the pilot plant. It is planned that the HIsarna pilot plant will restart early in the coming fiscal year which will give a boost to the activities;
- 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 was on continuous liquid feeding of zinc into the vacuum chamber. After careful consideration, the project is stopped in favour of higher priority work, at least until the market prospect improves in the future;
- Towards Sustainable Coke Production: aims at funding opportunities to use non-fossil carbon and non-coking carbon for coke making. A smaller scale test route has already been developed and further studies are on-going;
- DENS programme: cooperation with Universities to accelerate new product development on a small scale (300g to 25kg) to feed process modelling aimed at operational scale (300 tonnes);
- Heat recovery: looking at various ways to recover and re-use heat that is currently lost during our production processes;
- 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.

Like last year, additional resources were also available for Direct Business support [approx. 5%] to deliver quick wins for the business, where R&D effort can make a difference, were increased. Furthermore, a special programme on decarbonisation has been created, in line with the company's goal to implement a green Hydrogen route in the near future. This programme will especially address the aspect of the new DRI based production route and will be there to support the shorter-term preparations for the investments as well as for the longer-term optimisation of the use of these installations.

Process development

The process technology programme in 2021/22 was focused on lean and robust manufacturing processes, better use of raw materials and resolution of quality issues. The programme supports TSIJ's manufacturing and differentiated product strategy. Key achievements during 2021/22 were:

- Introduction of flexible lubrication to improve our rolling processes;
- A new Hot Dip Process Simulator was added to support our coating developments;
- Several investigations into decreasing our environmental and societal impact, e.g. the minimisation of odour emissions from our burner installations, a new design of oxygen blow profiles to prevent slopping at our convertor processes, and investigations into how to prevent clogging;
- The castability of several new grades was assessed on feasibility to implement in our lines.

Product market sector developments

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

During 2021/22 a total of 10 new products were introduced into TSIJ's product portfolio. These included:

- 27 & 35MnB5 steels: high strength heat treatable BMn steels for agricultural applications in the Engineering-sector;
- Serica FLOTM: a new GI-based zinc coating for exposed panels for the Automotive-sector;
- HR-S355MC: HSLA grade with high impact toughness at low temperatures.

People

Pride

TSIJ'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.

Tata Values

TSIJ embraces the five 'Tata Values' which are shared by all Tata companies worldwide and guide expected behaviours and practices throughout Tata Steel: Pioneering, Responsibility, Excellence, Unity, Integrity.
TSIJ's purpose, values, vision, mission, strategy and key messages are communicated across all levels in the organisation through regular internal communications, senior leadership conferences and weekly update calls.

Health and safety

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

Health and safety improvement plans continue to be deployed across the sites, including deployment of approved TSE Health and Safety standards and codes of practice. The sickness rate of 5.4% is slightly higher than the 4.80% in the year before, mainly due to the Corona virus. There has been good cooperation between company unions and works councils regarding COVID policy and cases of illness, ensuring business continuity

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. This calls for policies aimed at improving both the ability and the willingness to continue to work longer. 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.

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 2021, SPH had 9.681 'active' participants and 14.473 people receiving pensions, an increase of 62 and a decrease by 100 respectively. The 12-months moving average ('policy') funding ratio has increased from 105% by the end of March 2021 to 121.5% at the end of March 2022, driven by good returns on investments and an increase of the interest level. 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 2022 to 31 December 2022, which is similar to 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 2022 a new TS IJmuiden wide collective labour agreement was agreed with the Trade Unions for an 18-month period from 1 April 2022 up to 30 September 2023. During this period, TSIJ employees will on average enjoy a wage increase of 6% in a mix of structural increases and a number of one-off payments. It was also agreed that the Generation Pact would be extended for another two years.

Sustainability and environment

Green, Clean and Circular Steel

TSN 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.

TSIJ's strategic goal is to manufacture and supply Green, Clean and Circular steel, following a two-pronged approach:

- TSIJ has the overarching ambition to be a CO2 neutral steel producer by 2050, striving to accelerate the use of hydrogen and with an intermediate target to reduce CO2 emissions of the IJmuiden site by 30% compared to 2019 by 2030.
- Minimising the environmental impact on the communities in the surroundings of our operations - in particular those in IJmuiden- remains TSIJ's other leading sustainability commitment. The Roadmap Plus programme in IJmuiden has accelerated the delivery of significant improvements in terms of dust, odour and noise emissions in 2021 and will be vigorously pursued in the year to come.

Clean environment

Community concerns and challenges

Residents around TSIJ's IJmuiden steelworks remain concerned about the impact of the steelworks on local environmental conditions. This is also reflected in the 2.336 complaints that TSIJ received from members of the community around IJmuiden during the financial year, primarily related to complaints on odour, noise and dust. Compared to FY21, during which 4.184 complaints were received, in particular the number of odour complaints reduced strongly.

During 2021/22, the RIVM (Dutch Institute for the Environment and Public Health) has issued three research documents regarding TSIJ's IJmuiden operations:

- An interim report on public health in the IJmond area with a focus on acute (instead of chronic) health issues in April 2021. RIVM 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 on average higher in the IJmond area than in two reference areas. RIVM did not 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 this 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 that they have acknowledged that TSIJ is generally operating within the requirements of its permits.
- The second report, issued in September 2021, addressed the composition of deposited dust in the IJmond region. The RIVM concluded that the levels of PAH and lead were higher than outside the IJmond region. TSIJ is strongly committed to continuously enforce compliance and to minimise the impact of the operations on the environment. Tata Steel responded to this report by expanding and accelerating the Roadmap Plus actions in this domain.
- The third RIVM report, issued in January 2022 was on the origins of the substances found in the IJmond region. The RIVM concluded that emissions in the IJmond region deviate from what Tata Steel had reported. TSIJ is currently actively engaging with experts within the RIVM to assess the differences in measurements as reported by the RIVM. TSIJ has indicated that the measurements of the emissions by Tata Steel are accredited and that the measuring programme is assessed and verified by the competent authorities on an annual basis.

On 26th April 2021, the Dutch Safety Board announced that it will investigate the effect of industrial emissions on public health in general, starting with an investigation into the TS IJmuiden steelworks. The goal of the Board is to obtain learnings for society at large and not to apportion blame to individuals or organisations.

On 19 May 2021 a criminal complaint was filed with the public prosecutor against Tata Steel and its de facto managers on behalf of about 800 claimants. The allegation implies that Tata Steel and another party are responsible for deliberate air and soil pollution with risks for people's health. The allegation has attracted substantial media attention, both regionally and nationally. In January 2022 the prosecution office announced that it will start an investigation.

Roadmap Plus

In December 2020 TSIJ's IJmuiden operations launched the Roadmap Plus programme, a large-scale investment programme of over ~€300M intended to significantly improve local environmental performance on areas such as dust, noise and odours. The Roadmap Plus programme comprises a large 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;
- 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 Plus represents a major step forward to show Tata Steel's commitment to the environment to respond to community concerns. The response to the Roadmap Plus 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 Plus contains new measures to reduce dust emissions. An important measure in reducing visible dust is the reduction of dust turbulence at agglomerate yards and turbulent flow of raw materials during transport on conveyor belts. 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 aims to reduce emission levels in the immediate community around by approximately 65 per cent compared to 2021.

The odour sources with a major impact on the surrounding area are from processes as the Coke and Gas Plant 2 (CGP2), 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 Plus, such as a plan to accelerate improvements to CGP2, including adjustments to the mechanical seals. 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 dedusting and 'DeNOx' installation at the Pellet plant in IJmuiden, which is expected to significantly contribute to the reduction of emissions. In addition to reducing nitrogen oxides (NOx), the new facility will also reduce emissions of particulate matter and heavy metals, in particular lead, by 55 per cent.

By taking various measures against the emissions of Substances of Very High Concern (SVHC), TSIJ expects to achieve a 50 per cent reduction in the emission of Polycyclic aromatic hydrocarbons (PAH) by 2023.

TSIJ always strives to comply with permits and legal standards. The Roadmap+ program and the acceleration of the Roadmap+ plan cover actions which extend beyond and sometimes far beyond the scope of current permit requirements. TSN 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. 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.

In our Roadmap Plus project we already have the intention to reduce 50% of PAH emissions in 2023, 35% PM10 (fine dust) and 40% odour in 2023 and 30% NOx in 2025 all compared to 2019 emissions. Realising our decarbonisation plans will facilitate the replacement of existing factories by new and cleaner technologies. This will allow us to reduce our local emissions even further.

More information can be found on:
https://omgeving.tatasteel.nl/tata-steel-en-omgeving/roadmap-plus/.

Environmental production and product standards

To support its environmental ambitions, TSIJ continuously strives to improve the systems that are in place to manage and minimise the effects of its operations. For example, 100% of its manufacturing operations in the Netherlands are independently certified meeting the international environmental management system standard, ISO 14001:2015. Furthermore, 100% of TSIJ's products manufactured in the Netherlands are independently certified meeting the requirements of the sustainable sourcing standard, BES6001.

Green and Circular Steel

Decarbonisation technology

In September 2021, TSIJ has announced that it will no longer explore the Carbon Capture, Utilisation & Storage technology but will fully focus on exploring the DRI technology of producing steel based on hydrogen instead of coal. This implies the replacement of blast furnace technology by a combination of DRI technology and electric furnaces. The DRI technology is a technique whereby iron ore is no longer reduced in a blast furnace, but in a DRI plant. Unlike a blast furnace that uses coal, the DRI plant uses natural gas or hydrogen. The reduced iron is then further processed into liquid hot metal in an electric furnace.

The transition to green steel is expected to take place in a two-step approach. When the first DRI-installation with electric furnaces comes on stream, targeted for 2030, the first blast furnace and coke and gas plant will be idled. In the second step, after installing further DRI and electric furnace capacity the remaining blast furnace and coke and gas plant and the sintering plant will be idled. When both blast furnaces are replaced by DRI plants, the use of coal can be largely stopped.

As a result, the CO2 emissions from the steel making process will be considerably lower. In parallel, recycled scrap metal will be used to enable steel making in IJmuiden to become more circular.

The production process of the DRI technology is also easier to start and stop, leading to lower energy consumption than the blast furnace process. DRI technology enables the production of high-quality steel at a significantly lower CO2 emissions and is also easy to connect to the other mills on our site.

Tata Steel has a good starting position for a successful transition to green steel in a clean environment. We will benefit from our coastal location, giving access to off-shore wind energy coming on-shore (TenneT) and being well situated to connect to the natural gas- and future hydrogen grids.

More information can be found on:
https://omgeving.tatasteel.nl/duurzaamheid.

Joint effort with Government

The Expression of Principles between TSIJ and the Dutch Government that was agreed in 2021 lays down a framework for mutually beneficial cooperation and dialogue on how decarbonisation plans could be realised.

TSIJ is supportive of the strong leadership position on climate action that the Dutch Government has taken. It is committed to working closely with policymakers to deliver an important contribution to the achievement of national aspirations, as evidenced by its emission reduction commitments.

However, driving 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.

Similarly, customers of steel are expected to be prepared to contribute to the transition to green steel by paying a Green Steel premium.

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 government financial support and/or low-cost finance 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.

TSIJ's ability to realise its ambition to become a green and circular steel producer within the aspired timelines, is critically dependent on adequate and timely support from government in terms of financial support, granting of permits and maintaining a level playing field for European steel makers.

Hydrogen

TSIJ is assessing the feasibility of a green hydrogen plant at the TSIJ site in IJmuiden. The availability of green hydrogen would also have advantages for the entire Amsterdam metropolitan region as TSIJ would not be the only party to benefit from this new resource.

HIsarna

The Company continues to work on a major long-term project to develop HIsarna, a new 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 via a larger installation, planned in Jamshedpur in India.

CO2 Emissions Performance and Energy efficiency 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 respect to low CO2 emission per tonnes crude steel the IJmuiden site is ranked number 2 in the 2021 WSA benchmark, out of 34 steel companies.

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.

The follow up of the MEE called the Energy Efficiency Directive scan (EED) is held for the IJmuiden steelworks. To fulfil the EED, TSIJ is upgrading the office buildings to Energy Label C, replace diesel powered transport vehicles for electric ones. Other key developments during 2022 included the revamp the Pickling line 21 to connect it to the cold mill 21 and further expand the local waste heat distribution system to reduce natural gas use. During 2022, TSIJ plans to commission the new highly efficient reheating furnace at the hot rolling mill as well as energy efficient electrical drives. A variety of waste heat recovery schemes and electrification steps are to be implemented in the following years, including a new waste heat recovery boiler at the sinter plant.

Emissions Trading and Dutch carbon tax

The allocation of CO2-credits to the operations of TSIJ under the EU Emissions Trading System (EU ETS) continues 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.

The price increase of EUAs continued during the FY 2022 and rose from over €40 in April 2021 to €76 in March 2022. 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. During 2021, TSIJ has introduced a carbon surcharge mechanism to pass on 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.

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.

TSIJ product contribution to climate change

Decarbonisation of TSIJ'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.

From a results perspective, during FY22, TSIJ launched 10 new products across Automotive, Construction, Engineering and Packaging sectors. Of these seven were assessed as Eco and two as Eco-Premium products, offering significant sustainability benefits over the baseline products they replaced. Notable developments include Heavy Gauge Hilumin® for Electric Vehicle (EV) battery application which has more than 45% sustainability benefits over existing battery quality steel. The product enables faster growth in EV adoption offering more energy content in the cells leading to lesser material consumption throughout a battery's life cycle.. From the Engineering segment, 38MnB5 used for agricultural machinery application offers up to 25% increase in sustainability benefits due to lower carbon content in the product.

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

During the financial year FY22, the BoD consisted of Mr J. van den Berg and Mr J.E. van Dort.

Prospects for 2021/22

For 2022 the outlook is highly uncertain due to, among others, but not limited to, the war in the Ukraine. The war in the Ukraine has a major impact on the EU due to its reliance on Russian energy and its geographic proximity to the conflict area. There are further downside risks from COVID virus infections, inflation and rising interest rates. The World Steel Association predicts that steel demand will increase 0.4% globally. Demand in the EU28 is expected to decline by 1.3%.

Post balance sheet events

On 24 June 2022, Mr. T. Eussen was appointed as statutory Director of TSÌJ BV. On 30 June, Mr. J.E. van Dort resigned as statutory Director of the Company. On 1 September 2022, Mr. M. Plaum was appointed as statutory Director of TSÌJ BV

Board of Directors

J. van den Berg, Chair

T. Eussen

M. Plaum

IJmuiden, 26 September 2022

Income statement

For the financial year ended 31 March

	Note	**2022 €m**	2021 €m
Revenue	1	**5,943**	**3,620**
Operating costs	2	**(5,099)**	**(3,831)**
Operating profit/(loss)		**844**	**(211)**
Finance costs	5	**(8)**	**(6)**
Finance income	5	**1**	**10**
Profit/(loss) before taxation		**837**	**(207)**
Taxation	6	**(207)**	**62**
Profit/(loss) after taxation		**630**	**(145)**

All references to 2022 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 2022 or as at 31 March 2022 as appropriate (2021: the financial period ended 31 March 2021 or as at 31 March 2021).

Notes and related statements forming an integral part of these accounts appear on pages 18 to 42.

Statement of comprehensive income

For the financial year ended 31 March

	Note	**2022 €m**	2021 €m
Profit/(loss) after taxation		**630**	**(145)**
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) arising on cash flow hedges	16	**19**	**29**
Income tax relating to items that may be reclassified	16	**(5)**	**(7)**
Other comprehensive income/(loss) for the year net of tax		**14**	**22**
Total comprehensive income/(loss) for the year		**644**	**(123)**

Notes and related statements forming an integral part of these accounts appear on pages 18 to 42.

Balance sheet
(after appropriation of net profit/loss)

As at 31 March

	Note	2022 €m	2021 €m
Non-current assets			
Intangible assets	7	**68**	**98**
Property, plant and equipment	8	**1,932**	**1,879**
Investments in subsidiaries, joint ventures and associates	9	**60**	**60**
Deferred tax asset	19	**81**	**61**
		2,141	**2,098**
Current assets			
Inventories	10	**1,419**	**751**
Trade and other receivables	12	**869**	**657**
Current tax assets	11	**65**	**66**
Short term investments	13	**603**	**162**
Cash and short term deposits	13	**246**	**144**
		3,202	**1,780**
TOTAL ASSETS		**5,343**	**3,878**
Current liabilities			
Borrowings	15	**(141)**	**(168)**
Trade and other payables	14	**(1,495)**	**(927)**
Current tax liabilities	11	**(233)**	**(3)**
Provisions and other liabilities	17	**(141)**	**(126)**
		(2,010)	**(1,224)**
Non-current liabilities			
Borrowings	15	**(42)**	**(50)**
Provisions and other liabilities	17	**(129)**	**(98)**
Other liabilities	18	**(76)**	**(63)**
Deferred income	19	**(2)**	**(3)**
		(249)	**(214)**
TOTAL LIABILITIES		**(2,259)**	**(1,438)**
NET ASSETS		**3,084**	**2,440**
Equity			
Called up share capital	21	**113**	**113**
Hedging reserve		**30**	**16**
Retained earnings		**2,941**	**2,311**
TOTAL EQUITY		**3,084**	**2,440**

Notes and related statements forming an integral part of these accounts appear on pages 18 to 42.

Statement of changes in equity

	Share capital €m	Hedging reserve €m	Retained earnings €m	**Total €m**
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**
Profit after taxation	-	-	630	**630**
Other comprehensive result for the year	-	14	-	**14**
Balance at 31 March 2022	113	30	2,941	**3,084**

Notes and related statements forming an integral part of these accounts appear on pages 18 to 42.

Statement of cash flows

For the financial year ended 31 March

	Note	2022 €m	2021 €m
Operating activities			
Profit/(loss) after taxation		**630**	**(145)**
Adjustments for:			
Tax	6	**207**	**(62)**
Interest income	5	**(1)**	**(10)**
Interest expense	5	**8**	**6**
Depreciation and amortisation including impairments (net of grants released)	2	**187**	**202**
Movement in provisions for impairments of trade receivables	12	**-**	**(2)**
Movement in insurance and other provisions		**75**	**75**
Movement in loose plant, tools and spares		**24**	**25**
Movement in inventories		**(668)**	**46**
Movement in receivables		**(268)**	**47**
Movement in payables		**575**	**114**
Rationalisation costs provided	17	**3**	**3**
Utilisation of rationalisation provisions	17	**(4)**	**(10)**
Cash generated from operations		**767**	**289**
Interest paid		**(5)**	**(3)**
Interest element of lease rental payments		**(3)**	**(3)**
Taxation paid		**-**	**(158)**
Net cash flow generated from operating activities		**759**	**125**
Investing activities			
Purchase of property, plant and equipment	8	**(227)**	**(271)**
Sale of property, plant and equipment	8	**1**	**1**
Purchase of other intangible assets	7	**(1)**	**(34)**
Dividends from subsidiaries		**-**	**2**
Dividends from joint ventures and associates		**-**	**6**
Interest received		**-**	**1**
Net cash flow used in investing activities		**(227)**	**(295)**
Financing activities			
Proceeds from loans to Group companies		**50**	**-**
Proceeds of loans from Group companies		**130**	**-**
Repayments of loans from Group companies		**-**	**(32)**
Movements in other loans		**(1)**	**2**
Capital element of lease rental payment	25	**(12)**	**(13)**
Net cash flow (used in)/generated from financing activities		**167**	**(43)**
(Decrease)/increase in cash and cash equivalents		**699**	**(213)**
Cash and cash equivalents at beginning of period		**150**	**363**
Cash and cash equivalents at end of period		**849**	**150**
Cash and cash equivalents consist of:			
Short Term deposits with TSN	13	**603**	**162**
Cash at bank and in hand	13	**246**	**144**
Bank overdrafts	15	**-**	**(156)**
		849	**150**

Notes and related statements forming an integral part of these accounts appear on pages 18 to 42.

Presentation of 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 Chamber of Commerce 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 2022 Annual Accounts of Tata Steel IJmuiden B.V. have been authorised for issue by the Board of Directors (BoD) on 26 September 2022.

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'). The functional and presentational currency of the Company is the Euro.

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

This Annual Report of Tata Steel IJmuiden B.V. does not include consolidated accounts as the Company has applied the exemption allowed by IFRS10 "Consolidated Financial Statements" paragraph 4. 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. which have been prepared in accordance with IFRS as adopted by the EU.

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. Whereas the financial year 2020/21 was initially severely impacted by the negative effects of the global COVID-19 pandemic on the demand for its steel products, demand rebounded strongly with significant increases in steel selling prices towards the end of the year 2020/21. Throughout the financial year 2021/22, steel market conditions have been very favourable with a corresponding impact on TSIJs financial results and allowing TSIJ to build a significantly positive liquidity position at the beginning of the financial year 2022/23.

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.

In conjunction with the positive liquidity position at the beginning of the year 2022/23 and considering expected steel prices, spread levels and volumes, the Company is expecting ongoing positive liquidity for this period, also after factoring in the planned spend for the strategic investments.

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

** periods commencing on or after*

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

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

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

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

SONIA (Sterling Overnight Index Average) replaced GBP LIBOR from 1 January 2022. At 31 March 2022 there were no contracts that required transition from LIBOR to SONIA as TSIJ currently does not have any contracts which reference GBP LIBOR and there is no significant exposure to other interest rate benchmarks proposed to be amended or replaced as part of the IBOR reforms.

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 2022, or have an effective date after the date of these financial statements:

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

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

Management have performed a review of the expected impact from other standards and interpretations not applied as shown above. Management do not expect a material impact as a result of these new standards and interpretations not yet 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 critical judgements, apart from those involving estimations (which are presented separately below), that the BoD have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are presented below.

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

A significant part of the Company's capital is invested in property, plant and equipment and intangible assets. Determining whether these assets are impaired requires an estimation of value in use of the CGU to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the Company these are usually taken to be individual hubs/businesses or legal entities, although these are combined or split into base entities where deemed appropriate to reflect the specific economic risks or operational inter-dependence of particular locations and operations based on the governance structure and lines of reporting. This process of defining CGUs requires the exercise of significant judgement.

Following the formal separation of TSE into a UK and MLE value chain on 1 October 2021, the definition of some specific CGUs in TSIJ used for the impairment testing of PPE at 31 March 2022 has been updated. There is a significant change in the governance structure of the TSN Group with the formation of a separate MLE executive and leadership team as well as associated changes to reporting and processes. Under IAS 36 cash generating units should be identified consistently from period to period for the same asset or types of assets unless a change is justified.

From 1 October 2021, there is a change in the definition of the previous Strip MLE and Packaging NL CGUs. Until separation, Packaging NL was part of the cross-border separate Packaging Business within TSE that had its own management and P&L accountability. After separation, the Packaging NL activities were merged with the former Strip MLE activities into the Business Unit Ijmuiden. There is no longer an integral separate management for the Packaging activities nor separate result reporting. For all intents and purposes, Packaging and Strip MLE are therefore considered to be one CGU.

All other CGUs remain unchanged from previous periods.

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 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.

Value in use calculations require an estimation of future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The present value is sensitive to changes in the discount rate used in the 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 on the Company. Further details on the Company's impairment review, key assumptions, and sensitivity analyses are set out in note 9. In respect of impairment of investments in the Company accounts, judgement is required around the relevant enterprise value of the TSIJ Group

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 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 current tax and deferred tax.

Current tax 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.

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 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.

(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').

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

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

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

For all other financial instruments, 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.

Even when credit losses are recognised, amounts are only fully written off once all possibility of recoverability has been extinguished.

(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.

(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.

(i) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost at initial recognition. The cost is comprised of the purchase price plus any directly attributable costs. Subsequently, participating interests in subsidiaries are measured at cost less accumulated impairment

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

	2022 €m	2021 €m
Revenue by destination:		
The Netherlands	**1,167**	**635**
Europe excluding The Netherlands	**3,678**	**2,223**
North America	**760**	**439**
Rest of the world	**338**	**323**
	5,943	**3,620**

2. Operating costs

	2022 €m	2021 €m
Costs by type:		
Raw materials and consumables	**2,813**	**1,836**
Maintenance costs (excluding own labour)	**403**	**317**
Other external charges (including fuels and utilities, hire charges and carriage costs)	**603**	**407**
Employment costs (Note 4)	**884**	**751**
Depreciation, amortisation and impairment (Note 7,8)	**188**	**202**
Other operating items (including rents, rates, insurance and general expenses)	**504**	**344**
Changes in inventory of finished goods and work in progress	**(258)**	**9**
Own work capitalised	**(38)**	**(35)**
	5,099	**3,831**

	Operating costs before restructuring, impairment and disposals €m	Restructuring, impairment and disposals €m	Total €m
The above costs in 2022 include:			
Raw materials and consumables	2,813	-	**2,813**
Maintenance costs (excluding own labour)	403	-	**403**
Other external charges (including fuels and utilities, hire charges and carriage costs)	603	-	**603**
Employment costs (Note 4)	881	3	**884**
Depreciation, amortisation and impairment (Note 7, 8)	185	3	**188**
Other operating items (including rents, rates, insurance and general expenses)	504	-	**504**
Changes in inventory of finished goods and work in progress	(258)	-	**(258)**
Own work capitalised	(38)	-	**(38)**
	5,093	6	**5,099**

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

	2022 €m	2021 €m
The above costs are stated after including:		
Amortisation of other intangible fixed assets (Note 7)	**4**	**9**
Depreciation of owned assets (Note 8)	**171**	**171**
Impairment losses related to property, plant and equipment (Note 3)	**3**	**10**
Depreciation of right of use assets	**10**	**12**
Expenses relating to low value leases	**1**	**1**
Expenses relating to variable lease payments not included in lease liabilities	**19**	**17**
Costs of research and development (gross)	**46**	**39**
Emission rights costs	**78**	**59**

3. Restructuring and impairment costs

	2022 €m	2021 €m
Provision for restructuring and related measures:		
Redundancy and related costs	**3**	**3**
Impairment losses related to property, plant and equipment (Note 8)	**3**	**10**
Other rationalisation costs	**-**	**1**
	6	**14**

4. Employees

	2022 €m	2021 €m
The total employment costs of all employees (including directors) in the Company were:		
Wages and salaries	**715**	**582**
Social security costs	**79**	**79**
Pension costs	**88**	**87**
Redundancy and related costs (Note 3)	**3**	**3**
	885	**751**

The average number of the Company's active employees was 8,367 (2021: 8,280). All employees are located in the Netherlands. The analysis of the headcount by business is: Business Unit IJmuiden 8,336 and other 31.

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

	2022 €m	2021 €m
Defined contribution scheme	**88**	**87**
	88	**87**

5. Financing items

	2022 €m	2021 €m
Finance costs		
Finance leases	**(2)**	(3)
Other Borrowings	**(4)**	(2)
Discount on disposal of trade receivables within purchase agreement with external companies	**(2)**	(1)
	(8)	(6)
Finance income		
Interest received	**1**	2
Dividends from subsidiaries	**-**	2
Dividends from joint ventures and associates	**-**	6
	1	10
	(7)	4

6. Taxation

	2022 €m	2021 €m
Dutch corporation tax	**230**	**(39)**
Dutch prior year corporation tax	**2**	**(4)**
Current tax	**232**	**(43)**
Dutch deferred tax	**(22)**	**(19)**
Prior year deferred tax	**(3)**	**-**
Taxation	**207**	**(62)**

In addition to the total taxation charged/(credited) to the income statement, a tax charge of €5m (2021: a charge of €7m) was recognised in other comprehensive income in the year.

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

	2022 €m	2021 €m
Profit/(loss) before taxation	**837**	**(207)**
Profit/(loss) before taxation multiplied by the applicable corporation tax rate of 25.2% (2021: 25%)	**211**	**(52)**
Effects of:		
Adjustments in respect of prior periods	**(1)**	**(4)**
Impact of deferred tax rate change	**(3)**	**(5)**
Non-taxable income	**-**	**(3)**
Other differences	**-**	**2**
Total taxation	**207**	**(62)**

7. Intangible assets

2022	Computer software €m	Development costs €m	Emission rights €m	**Total €m**
Cost at beginning of period	121	38	28	**187**
Additions	2	-	-	**2**
Utilisation	-	-	(28)	**(28)**
Cost at end of period	123	38	-	**161**
Amortisation at beginning of period	51	38	-	**89**
Charge for the period	4	-	-	**4**
Amortisation at end of the period	55	38	-	**93**
Net book value at end of the period	68	-	-	**68**

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**

8. Property, plant and equipment

2022	Land and buildings €m	Plant and machinery €m	Assets under construction €m	**Total €m**
Cost or valuation as at 1 April 2021	835	6,281	621	**7,737**
Additions	-	66	196	**262**
Transfers	46	204	(250)	**-**
Disposals	(3)	(86)	-	**(89)**
Cost at end of period	878	6,465	567	**7,910**
Depreciation as at 1 April 2021	664	5,194	-	**5,858**
Charge for the period	16	165	-	**181**
Impairment charge for the period	-	3	-	**3**
Disposals	(3)	(61)	-	**(64)**
Depreciation at end of period	677	5,301	-	**5,978**
Net book value at end of period	201	1,164	567	1,932

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	5,194	-	**5,858**
Net book value at end of period	171	1,087	621	**1,879**

There were no borrowing costs capitalised during the year (2021: nil).

Property, plant and equipment was tested for impairment at 31 March 2022 where indicators of impairment existed. This involves the Company estimating the recoverable amounts of individual Cash Generating Units (CGU). During the year the definition of the Company's only material CGU's has changed whereby Strip Products MLE and Packaging IJmuiden have now been combined to form Business Unit IJmuiden. See Critical Judgements in Applying the Group's Accounting Policies on page 21.

Decarbonisation is central to the long-term strategy of TSIJ which has set out its ambitions to substantially reduce carbon emissions and become carbon neutral by 2050. During the year TSIJ announced that it aims to pursue the DRI route for making iron using natural gas or hydrogen and is currently exploring the options for implementing this and how such investments could be financed. Irrespective of the choice of technology, TSIJ's business still aims to be producing a combined c. 7mt of steel post decarbonisation, is not currently envisioning any changes to their downstream steel making capability, and aims to continue to serve the same markets by offering its customers the low carbon steel products they require.

Against this background and consistent with previous years, a value in use (VIU) calculation has been prepared to consider the recoverable amount of the Company's only material CGU (Business Unit IJmuiden). 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 8.4% (2021: 8.1%). 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 mitigate these costs, primarily through the successful introduction of a CO2 surcharge which has reduced uncertainty in regards to fluctuation in CO2 costs on the profitability of the Company over the 3 year plan period.

The BU IJmuiden 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. TSIJ has assessed the impact of the Netherlands specific carbon tax in the value in use calculation and, given the current price of EUA's and expected free allowances, the tax is not expected to lead to any costs in the BU IJmuiden 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 mitigated through a variety of different means including the ability to pass these costs via the CO2 surcharge or in the longer term via decarbonisation of the asset base.

The technological shift to DRI and a large scale use of green hydrogen envisaged to enable the transition to carbon neutral steel will require significant, but at this stage not yet detailed 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 other government legislation. TSIJ ultimately expects the cost for decarbonisation not to be borne by the steel industry but by society, either through higher steel selling prices or through government intervention whereby investments in decarbonisation are enabled through government assistance. Given these major uncertainties around decarbonisation, TSIJ's best estimate is that these significant investments should not be factored into the VIU projections at the current time.

However, whilst recognising the current uncertainties around decarbonisation but at the same time reflecting TSIJ's ambition to pursue aforementioned decarbonisation strategy, initial modelling has also been prepared to consider the potential impact of decarbonisation by considering an alternative fair value less cost of disposal (FV) model for the BU IJmuiden CGU. The FV model 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 which includes capital expenditure for decarbonisation as well as estimated changes to EBITDA due to operating those assets. Key assumptions for the FV model are expected changes to selling prices and raw material costs, EU steel demand, energy costs, exchange rates, the amount of capital expenditure needed for decarbonisation, the changes to EBITDA resulting from producing and selling low CO2 steel, and a post-tax discount rate of 6.3%. The estimates for future capital expenditure for decarbonisation are based on management's internal estimates of implementing the DRI route as well as management's view as to what level of government support may be available.

The FV model considers the impact of decarbonisation on capital expenditure and EBITDA in the event that decarbonisation projects were to become committed in future years. In such a case, whilst there may be some impact on certain assets (e.g. any net book value on assets which were to be taken out of service may need to be impaired or depreciated over a shorter period of time), the conclusion of the FV model is the same as that under the VIU model in that there is sufficient headroom not to require impairment, given that there is no expectation of a significant reduction in profitability resulting from the decarbonisation of the steel making assets. The key assumptions which support this view are:

- The expectation that government support will be provided to TSIJ for the initial capital expenditure on decarbonisation assets,
- The national government will invest in infrastructure to support the new steel making technology in order to enable the Netherlands to transition to net zero (e.g. hydrogen infrastructure, or increased renewables to support green electricity supply),
- The policy environment in the Netherlands and the EU is supportive to the European steel industry and that the Netherlands wishes to retain a domestic steel industry, and
- Demand for steel will increase from the transition to net zero (e.g. more projects which require steel) and customers will be willing to pay a higher premium for steel which has lower CO2 content.

If any of the above key assumptions were to change then there is a risk that the headroom in the FV model would reduce and that the reduction in the headroom could be sizeable leading to significant impairments of PPE. However, TSIJ believes the key assumptions made, represent the most likely impact from decarbonisation at this point in time. These key assumptions will be kept under review in future years especially if investments in decarbonisation capital expenditure become committed.

For the value in use model a nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until the fifteenth year, at which point a 1.8% growth rate is used on future cashflows into perpetuity. The pre-tax discount rate of 8.4% (2021: 8.1%) is derived from the Company's weighted average cost of capital ('WACC') and the WACCs of its main European steel competitors. For the FV model a nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets up until 2040, at which point a 1.8% growth rate is used on future cashflows into perpetuity. The post-tax discount rate of 6.3% 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 impairment test as at 31 March 2022 for the BU IJmuiden CGU resulted in no impairment of PPE (2021: €nil).

The €3m impairment charge in 2022 relates to specific assets. The €10m impairment charge in 2021 also relates to specific assets.

(i)

	2022 €m	2021 €m
The net book value of plant and machinery comprises:		
Assets held under leases:		
Cost	**117**	**117**
Accumulated depreciation	**(92)**	**(87)**
	25	**30**
Owned assets	**1,139**	**1,058**
	1,164	**1,088**

The additions to the right-of-use assets during the 2022 financial period were €4m (2021: €6m).

9. Investments in subsidiaries, joint ventures and associates

	Investments in subsidiaries €m	Investments in joint ventures €m	Investments in associates €m	**Total 2022 €m**	Total 2021 €m
Carrying value at beginning and 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 8.4% (2021: 8.1%). 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 2022 resulted in €nil impairment (2021: €nil).

10. Inventories

	2022 €m	2021 €m
Raw materials and consumables	**684**	274
Work in progress	**268**	201
Finished goods and goods for resale	**467**	276
	1,419	751

The value of inventories above is stated after impairment of €14m (2021: €18m) for obsolescence and write-downs to net realisable value. Work in progress includes semi-finished and partly processed materials.

11. Current tax

	2022 €m	2021 €m
Dutch corporation tax assets - current	**65**	66
Dutch corporation tax liabilities – current	**(233)**	(3)
	(168)	63

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

12. Trade and other receivables

	2022 €m	2021 €m
Trade receivables	358	185
Less provision for impairment of receivables	(3)	(2)
	355	183
Amounts owed by parent undertakings (Note 26)	4	3
Amounts owed by other Tata Steel companies (Note 26)	321	255
Amounts owed by subsidiary undertakings (Note 26)	22	15
Amounts owed by joint ventures (Note 26)	5	13
Amounts owed by associates (Note 26)	25	14
Loans to other Tata Steel companies (Note 26)	1	51
Derivative financial instruments (Note 16)	46	51
Other taxation	13	6
Prepayments	15	21
Other receivables	62	45
	869	657

(ii) Trade receivables are further analysed as follows:

31 March 2022	Gross amount €m	Subject to credit insurance cover €m	Impairment provision made €m	Net credit risk amount €m
Trade receivables:	283	(239)	-	44
Amounts not yet due	44	(41)	-	3
One month overdue	14	(14)	-	-
Two months overdue	1	-	-	1
Three months overdue	9	(8)	-	1
Greater than three months overdue	7	(4)	(3)	-
	358	(306)	(3)	49

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

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

	2022 €m	2021 €m
At beginning of period	2	4
Impairments in the period	1	-
Amounts utilised and other movements	-	(2)
At end of period	3	2

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

	2022 €m	2021 €m
Short-term deposits with TSN	603	162
Cash at bank and in hand	246	144
Cash and other short-term deposits	849	306

	2022			2021		
	Short-term deposits €m	**Cash €m**	**Total €m**	Short-term deposits €m	Cash €m	Total €m
Sterling	**-**	**23**	**23**	-	23	23
Euros	**603**	**178**	**781**	162	193	355
US dollars	**-**	**41**	**41**	-	(72)	(72)
Other currencies	**-**	**4**	**4**	-	-	-
	603	**246**	**849**	162	144	306

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%).

The cash and other short-term deposits disclosed above and in the statement of cash flows are not subject to regulatory restrictions and are therefore available for general use.

14. Trade and other payables

	2022 €m	2021 €m
Trade payables	**578**	402
Amounts owed to parent undertakings (Note 26)	**7**	6
Amounts owed to other Tata Steel companies (Note 26)	**317**	33
Amounts owed to subsidiary undertakings (Note 26)	**10**	6
Amounts owed to associates (Note 26)	**3**	3
Other taxation	**31**	42
Capital expenditure creditors	**146**	116
Derivative financial instruments (Note 16)	**13**	23
Other payables	**390**	296
	1,495	927

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

15. Borrowings

	2022 €m	2021 €m
Current:		
Other short term loans	**1**	1
Overdrafts	**-**	156
Loans from parent company	**130**	-
Lease liabilities	**10**	11
	141	168

	2022 €m	2021 €m
Non-current:		
Loans	**2**	3
Lease liabilities	**40**	47
	42	50

Total borrowings	**183**	218

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

	2022				2021		
	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	**53**	**-**	**130**	**183**	62	-	218

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

	2022		2021	
	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**	**5.9**	4.6	6.3

(ii) The maturity of borrowings is as follows:

	2022 €m	2021 €m
In one year or less or on demand	**143**	**171**
Between one and two years	**11**	**12**
Between two and three years	**9**	**10**
Between three and four years	**8**	**9**
Between four and five years	**7**	**7**
More than five years	**14**	**20**
	192	**229**
Less: amounts representing interest in future minimum lease payments	**(9)**	**(11)**
	183	**218**
Amounts falling due within one year	**141**	**168**
Amounts falling due after more than one year	**42**	**50**

Amounts payable under leases are as follows:

	Minimum lease payments		**Present value of minimum lease payment**	
	2022 €m	2021 €m	**2022 €m**	2021 €m
Not later than one year	**12**	14	**10**	11
Later than one year but not more than five years	**33**	35	**28**	29
More than five years	**14**	20	**12**	18
	59	69	**50**	58
Less: future finance charges on leases	**(9)**	(11)	**-**	-
Present value of lease liabilities	**50**	58	**50**	58

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:

	2022 €m	2021 €m
Financial assets		
Trade and other receivables (Note 12) [1]	**494**	579
Cash and cash equivalents (Note 13)	**849**	306
	1,343	885
Financial liabilities		
Financial liabilities at amortised costs		
Trade and other payables (Note 14) [2]	**(1,451)**	(863)
Current borrowings (Note 15)	**(141)**	(168)
Non-current borrowings (Note 15)	**(42)**	(50)
	(1,634)	(1,081)
	(291)	(196)

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.

2022	Level 1 €m	Level 2 €m	Level 3 €m	**Total €m**
Financial assets at fair value through other comprehensive income:				
Commodity contracts	**-**	**37**	**-**	**37**
Forward foreign currency contracts	**-**	**9**	**-**	**9**
	-	**46**	**-**	**46**
Financial liabilities at fair value through other comprehensive income:				
Commodity contracts	**-**	**(11)**	**-**	**(11)**
Forward foreign currency contracts	**-**	**(2)**	**-**	**(2)**
	-	**(13)**	**-**	**(13)**

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)**

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 2022, the notional amount of outstanding foreign currency contracts was €1,163m (2021: €1,757m) with a net fair value of €7m (2021: €17m).

At 31 March 2022, a 10% appreciation of the euro against the US dollar would decrease the net assets of the Company by approximately €4m (2021: increase by €4m), decrease equity by approximately €4m (2021: decrease by €4m) and have no impact on the operating profit (2021: 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 2022, the Company had commodity contracts with a total notional value of €286m (2021: €133m) and a net fair value of €26m (2021: €11m).

At 31 March 2022, a 10% appreciation of market prices would increase the Company's equity by approximately €19m (2021: increase of €2m). 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 2022 and 2021, 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 2022 the Company had fixed rate borrowings of €53m (31 March 2021: €62m), floating rate borrowings of €nil (31 March 2021: €156m) and zero rate borrowings of €130m (31 March 2021: €nil). The Company had short term deposits of €603m on 31 March 2022 (on 31 March 2021: €162m). If at 31 March 2022 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 (2021: €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, 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			
2022	**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	**(1,451)**	**(1,451)**	**-**	**-**
Borrowings				
Repayment	**(183)**	**(141)**	**(30)**	**(12)**
Fixed interest	**(9)**	**(2)**	**(6)**	**(1)**
	(1,643)	**(1,594)**	**(36)**	**(13)**
Derivative financial assets/liabilities				
Foreign currency contracts				
Payables	**(1,154)**	**(1,154)**	**-**	**-**
Receivables	**1,161**	**1,161**	**-**	**-**
Derivatives commodities: net settlement	**26**	**26**	**-**	**-**
	33	**33**	**-**	**-**
Total	**(1,610)**	**(1,561)**	**(36)**	**(13)**

1 Excludes other taxation, and derivatives

	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

(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:

	2022		2021	
	Assets €m	**Liabilities €m**	Assets €m	Liabilities €m
Current:				
Commodity contracts	**37**	**(11)**	15	(4)
Forward foreign currency contracts	**9**	**(2)**	36	(19)
	46	**(13)**	51	(23)

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

2022	Forward foreign currency contracts €m	Commodity contracts €m	Taxation €m	Total €m
Cash flow hedge reserve net of taxation at beginning of period	**9**	**12**	**(5)**	**16**
Fair value recognised	**10**	**9**	**(5)**	**14**
Cash flow hedge reserve net of taxation at end of period	**19**	**21**	**(10)**	**30**

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**

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

	2022 €m	2021 €m
Commodity contracts	**286**	133
Forward foreign currency contracts	**1,163**	1,758

During the year, no significant ineffectiveness on cash flow hedges was recognised in profit and loss (2021: €nil).

17. Provisions for liabilities and charges

	Rationalisation Costs (i) €m	Environmental Provisions (ii) €m	Employee Benefits (iii) €m	Other Provisions €m	**Total 2022 €m**	Total 2021 €m
At beginning of period	3	138	84	-	**225**	158
Charged to income statement	3	139	2	7	**151**	107
Released to income statement	-	-	(6)	-	**(6)**	(5)
Utilised during the period	(5)	(95)	-	-	**(100)**	(36)
At end of period	1	182	80	7	**270**	224
Analysed as:						
Current liabilities	1	128	5	7	**141**	126
Non-current liabilities	-	54	75	-	**129**	98

(i) Rationalisation costs include redundancy provisions as follows:

	2022 €m	2021 €m
At beginning of period	**2**	9
Charged to income statement (Note 4)	**3**	3
Utilised during the period	**(4)**	(10)
At end of period	**1**	2

(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 CO_2 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	2022 €m	2021 €m
Other taxation and social security	**76**	63
	76	63

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:

	2022 €m	2021 €m
Deferred tax asset	**81**	61

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

2022	Accelerated tax depreciation €m	Stocks €m	Provisions €m	Other €m	**Total €m**
At beginning of period	14	1	51	(5)	**61**
Credited to income statement	3	2	20	-	**25**
Charged to other comprehensive income	-	-	-	(5)	**(5)**
At end of period	17	3	71	(10)	**81**

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**

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

	2022 €m	2021 €m
At beginning of year	**3**	4
Released to income statement	**(1)**	(1)
At end of year	**2**	3

21. Called up share capital

The authorised share capital of the Company as at 31 March 2022 amounts to €225,000,000 (31 March 2021: €225,000,000) and consists of 500,000 ordinary shares of each €450 (31 March 2021: €450). As of 31 March 2022, 250,000 ordinary shares of €450 each were issued and fully paid up, totalling to a nominal value of €112,500,000 (31 March 2021: €112,500,000).

22. Future capital expenditure

	2022	2021
	€m	€m
Contracted but not provided for	**198**	78
Authorised but contracts not yet placed	**429**	320

23. Operating leases

	2022	2021
	€m	€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	**27**	-
Future cash outflows relating to termination and extension options	**1**	1
	28	1

24. Contingencies

	2022	2021
	€m	€m
Guarantees and securities	**-**	-

The Company is party to a number of individual administrative proceedings on environmental matters and contingent claims which result from ordinary activities that are pending as of March 31, 2022 or can potentially be exercised against Tata Steel IJmuiden B.V. in the future. The related risks were analysed with a view to their probability of occurrence. No amount has been recorded in these financial statements on the basis that the Company does not consider it virtually certain that an amount will be received or no reliable estimate can yet be made for amounts to be paid (if any).

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.

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25. Analysis of changes in net funds

	1 April 2021 €m	Cash Flow €m	Other movements	**31 March 2022 €m**
Loans to other Tata Steel companies	51	(50)	-	**1**
Cash at bank and short-term deposits	306	543	-	**849**
Bank overdrafts	(156)	156	-	**-**
Cash and cash equivalents	150	699	-	**849**
Borrowings	(4)	(129)	-	**(133)**
Obligations under leases	(58)	12	(4)	**(50)**
Total debt excluding bank overdrafts	(62)	(117)	(4)	**(183)**
Total net funds	139	532	(4)	**667**

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.

	2022 **€m**	2021 €m
Amounts reported within the income statement:		
Sales to joint ventures	**114**	68
Sales to associates	**218**	105
Sales to other Tata Steel companies	**1,698**	917
Purchases from associates	**39**	33
Purchases of raw materials from other Tata Steel companies, acting as an agent	**1,876**	1,150
Other purchases from other Tata Steel group companies	**186**	131
Net recharges from other Tata Steel companies	**134**	89
Amounts reported within the balance sheet:		
Amounts owed by parent undertakings (Note 12)	**4**	3
Amounts owed by other Tata Steel companies (Note 12)	**321**	255
Amounts owed by subsidiary undertakings (Note 12)	**22**	15
Amounts owed by joint ventures (Note 12)	**5**	13
Amounts owed by associates (Note 12)	**25**	14
Amounts owed to parent undertakings (Note 14)	**7**	6
Amounts owed to other Tata Steel companies (Note 14)	**317**	33
Amounts owed to subsidiary undertakings (Note 14)	**10**	6
Amounts owed to associates (Note 14)	**3**	3
Loans to other Tata Steel companies (Note 12)	**1**	51
Loans from parent undertakings (Note 15)	**130**	-
Short term deposits with parent undertakings (Note 13)	**603**	162

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 2022 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	2022 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	142	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	80	Shares of NOK 1,000	26,500	50

28. Events after the reporting period

On 24 June 2022, Mr. T. Eussen was appointed as statutory Director of TSÌJ BV. On 30 June 2022, Mr. J.E. van Dort resigned as statutory Director of the Company. On 1 September 2022, Mr. M. Plaum was appointed as statutory Director of TSÌJ BV.

Further notes to and signing of the Annual Accounts

Remuneration of and loans to members of the Board of Directors*

	2022	2021
	€	€
The total employment costs of the Board of Directors of Tata Steel Ijmuiden B.V. were:		
Short term employee benefits	**1,053,972**	870,148
Long term employee benefits	**740,148**	-
Post employee benefits	**158,739**	154,760
Termination benefits	**-**	1,954,084
Total emoluments of current and former members	**1,952,859**	2,978,992

The amounts of loans granted as at 31 March 2022 totalled €nil (31 March 2021: €nil).

Appropriation of the result for the financial year 2022
We propose to add the profit of €630m over the financial year to 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 2022 Annual Accounts of Tata Steel IJmuiden B.V.

Board of Directors

J. van den Berg, Chair

T. Eussen

M. Plaum

IJmuiden, 26 September 2022

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 2022 INCLUDED IN THE ANNUAL ACCOUNTS