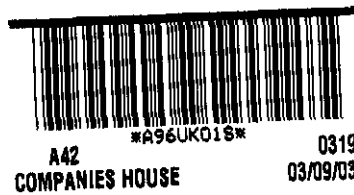


UK STEEL ENTERPRISE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 DECEMBER 2002

Registered number: 535960



UK STEEL ENTERPRISE LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 2002

1. Financial Statements

The directors submit herewith the audited financial statements of the Company for the year ended 28 December 2002. The Company is a subsidiary of Corus Group plc.

2. Principal Activities

The principal objective of the Company is to assist in the regeneration of those areas of the United Kingdom which have been affected by changes in the steel industry. The Company seeks to achieve this by encouraging the creation and growth of small and medium sized businesses which can provide new employment opportunities in these areas.

The principal activities of the Company are the provision of risk finance and premises to businesses which can demonstrate growth potential. The Company also provides support to selected business support agencies and initiatives.

3. Review of Operations and Future Developments

The property portfolio performed well over the year with an average occupancy level of 90%. Completion of the extension to our workspace in Kirkleatham occurred in January 2003.

Work commenced on our new property development at Ebbw Vale in the final quarter of 2002 with completion anticipated towards the end of 2003.

Lending and investment activity was buoyant but a slowdown in activity was noticed towards the end of 2002, a trend that is anticipated to carry over into 2003. There were several significant client realisations in the year that have contributed positively to the year's results.

During the year the company commenced work on funds management contracts on behalf of two funds through its subsidiary operation UKSE Fund Managers Limited.

The level of business and the period end financial position are considered to be satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

4. Results and Dividends

The Company recorded a profit of £363,652 (2001: loss of £69,692) after tax as set out in the profit and loss account on page 7. Because of the nature of the Company's activities it is the Board's policy not to make distributions to shareholders. Accordingly the directors do not recommend the payment of a dividend (2001: £nil).

5. Fixed Assets

In the opinion of the directors, the market value of freehold land and buildings is not significantly different from the book value at which these properties are included in the balance sheet.

UK STEEL ENTERPRISE LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 2002

6. Directors

The following directors all served throughout the year :

Mr A J Johnston
Mr S R Green
Mr V J Smith
Lord Brookman
Mr A V L Williams
Mr C D Gardner

7. Directors' Interests in Shares of the Group

The beneficial interests of the directors in the ordinary shares of Corus Group plc at the end of the year were as follows:

	<u>2002</u>	<u>2001</u>
A J Johnston	5,580	2,682
S R Green	26,638	23,740
V J Smith	9,565	9,465
Lord Brookman	-	-
A V L Williams	22,000	22,000
C D Gardner	3,339	441

The interests of the directors in the Corus Group Executive Share Option Scheme and the Corus Group Share Save Scheme were as follows:

	Outstanding at 29 Dec 2001	Exercised	Outstanding at 28 Dec 2002		Exercise period	
	Number	Number	Number	Weighted average exercise price	From	To
<u>Executive schemes</u>						
A J Johnston	784,203		784,203	89.0p	1997	2011
S R Green	119,421		119,421	92.4p	2000	2011
V J Smith	45,854	100	45,754	129.2p	1998	2007
C D Gardner	230,701		230,701	97.3p	1998	2011
<u>Sharesave schemes</u>						
A J Johnston	22,674		22,674	51.5p	2006	2006
S R Green	22,674		22,674	51.5p	2006	2006
V J Smith	4,408		4,408	88.5p	2003	2003
C D Gardner	22,674		22,674	51.5p	2006	2006

No share options have been granted during the year.

The market price of the Corus Group shares at 28 December 2002 was 27p and the range during the year was 22p to 90p. Options outstanding are exercisable between 51.5p and 137.79p.

UK STEEL ENTERPRISE LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 2002

8. Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the period ended 28 December 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

9. Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 5 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



S A Williamson
Secretary
23 July 2003

The Innovation Centre
217 Portobello
Sheffield S1 4DP

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF UK STEEL ENTERPRISE LTD

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purposes. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis, which assumes that the ultimate parent company, Corus Group plc continues to provide ongoing support. This assumes that Corus Group plc's bankers continue their support to Corus Group plc by providing new facilities acceptable to Corus Group plc to replace the existing syndicated facilities and also on Corus Group plc's continuing ability to comply with the terms of its banking arrangements. The financial statements do not include any adjustments that would result from a failure to obtain this support and funding. Details of the circumstances relating to this fundamental uncertainty are described on page 9. Our opinion is not qualified in this respect.

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF UK STEEL ENTERPRISE LTD

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield
24 July 2003

UK STEEL ENTERPRISE LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 DECEMBER 2002

		2002	2001
	Notes	£	£
Turnover	1(h)	1,891,778	1,736,877
Other operating income	2	1,915,027	1,136,702
Staff costs	5	(1,140,872)	(1,069,666)
Depreciation		(347,956)	(365,156)
Other operating charges		(2,071,968)	(2,044,100)
Operating profit / (loss)	3	246,009	(605,343)
Profit on disposal of fixed assets		-	124,433
Other interest receivable and similar income	4	331,791	212,237
Amounts written off investments	10	(214,148)	1,393
Profit / (loss) on ordinary activities before taxation		363,652	(267,280)
Taxation	6	-	197,588
Profit / (loss) on ordinary activities after taxation		363,652	(69,692)

All items dealt with above relate to continuing operations.

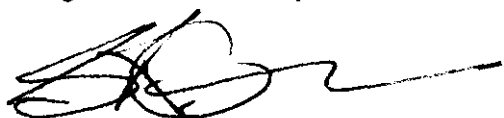
The company has no recognised gains and losses other than the profits shown above and therefore no separate statement of total recognised gains and losses has been presented.

UK STEEL ENTERPRISE LTD

**BALANCE SHEET
AS AT 28 DECEMBER 2002**

		2002	2001
	Notes	£	£
FIXED ASSETS			
Tangible assets	8	8,035,853	6,810,505
Investment in subsidiary undertaking	9	10,000	10,000
		8,045,853	6,820,505
INVESTMENTS	10	747,151	671,479
CURRENT ASSETS			
<i>Debtors:</i>			
amounts falling due after more than 1 year	11	1,325,847	1,628,092
amounts falling due within 1 year	11	12,578,239	8,710,174
Cash at bank and in hand		776,166	533,283
		15,427,403	11,543,028
CREDITORS: amounts falling due within 1 year	12	(1,237,136)	(558,653)
NET CURRENT ASSETS		14,190,267	10,984,375
TOTAL ASSETS LESS CURRENT LIABILITIES		22,236,120	17,804,880
CREDITORS: amounts falling due after more than 1 year	13	(6,000,000)	(2,000,000)
ACCRUALS AND DEFERRED INCOME	14	(817,915)	(835,593)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(85,266)	-
		15,332,939	14,969,287
CAPITAL AND RESERVES			
Called up share capital	16	10,000,100	10,000,100
Profit and loss account	17	5,332,839	4,969,187
EQUITY SHAREHOLDERS' FUNDS	18	15,332,939	14,969,287

The financial statements on pages 7 to 22 were approved by the board of directors on 23 July 2003 and were signed on its behalf by:-



S R Green
Director

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the more important accounting policies which have been applied consistently is set out below:-

(a) **Basis of Preparation of the Financial Statements**

UK Steel Enterprise Ltd is reliant on funding from its parent company, Corus Group plc, and as at 28 December 2002 has net amounts due from Corus Group plc amounting to £5,047,935. In the twelve month period to 28 December 2002, Corus Group plc partly met its day-to-day working capital requirements through a syndicated revolving multi-currency loan facility. This facility expires on 30 January 2004. The continuing support of Corus Group plc is dependent upon agreement of new facilities with the Group's bankers.

In the light of the information currently available, the directors of Corus Group plc believe that it should be possible to agree new facilities with the banks that are acceptable to Corus Group plc to be available before the existing facilities expire in January 2004.

The financial statements of UK Steel Enterprise Ltd have been prepared on a going concern basis, which assumes that Corus Group plc's bankers continue their support by providing new facilities acceptable to Corus Group plc to replace the existing syndicated facilities. Should the banks not support Corus Group plc in this respect, and consequently Corus Group plc were unable to provide continuing support to UK Steel Enterprise Ltd adjustments would have to be made to the financial statements of UK Steel Enterprise Ltd in order to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors presently cannot be certain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements of UK Steel Enterprise Ltd to be prepared on a going concern basis

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

The financial statements contain information about UK Steel Enterprise Ltd as an individual company and do not contain consolidated financial information as parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Corus Group plc, a company registered in England and Wales.

(b) **Financial Year**

These financial statements have been prepared for the 52 weeks from 30 December 2001 to 28 December 2002.

(c) **Tangible Fixed Assets**

All fixed assets are recorded at cost less accumulated depreciation. Cost is purchase cost together with any incidental expenses of acquisition less certain capital grants (see (e) below).

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

(d) **Depreciation**

Depreciation is provided so as to write off the cost or valuation of tangible fixed assets on a straight line basis, over their estimated remaining useful lives.

The principal annual rates used for this purpose are:

	%
Freehold land	-
Freehold buildings	4
Leasehold property	4
Fixtures and fittings	10
Motor vehicles	25

(e) **Government and European Grants**

In accordance with SSAP 4 (Revised) Regional Development Grants and other capital grants received and receivable are credited to deferred income and are released to the profit and loss account over the estimated useful lives of the assets to which they relate. In the exceptional circumstances where grant funding is made available, usually from European Union funds, to enable a project to proceed which otherwise would not be commercially viable, the grant is deducted from the purchase price or production cost of the related fixed asset to the extent that the market value of the fixed asset is lower than its purchase price or production cost.

(f) **Debtors**

Debtors include amounts loaned (normally for a period of three to five years) at varying repayment terms. Income from these loans comprises interest up to the balance sheet date, except where loans have been fully provided against, in which case loan interest is recognised when received.

Provisions against loans are made as a result of a detailed periodic review of the loan portfolio. Although recoverability of individual loans remains difficult to assess, the directors consider that a prudent provision has been made against the overall total of loans.

(g) **Pensions**

The Company contributes to a group pension scheme operated by Corus UK Ltd. Contributions and pension costs are assessed across the group as a whole. The expected cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of the employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

This accounting policy follows the principles of SSAP24. As indicated in note 19, for FRS17 purposes, pension obligations are accounted for on a defined contribution basis. Transitional disclosures are given in the financial statements of the parent company.

(h) **Turnover**

Turnover comprises amounts invoiced to workshop tenants for property rentals, licence fees and services provided (gas, electricity, rates etc) exclusive of VAT.

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

(i) **Investments**

Investments are valued at the lower of cost and estimated net realisable value. Provisions against investments are made as a result of a detailed periodic review of the investment portfolio. For those investments which are listed on either the London Stock Exchange or the Alternative Investment Market (AIM), provisions are made to the extent that the cost exceeds the current market price.

(j) **Deferred Taxation**

Full provision is made for deferred tax arising from timing differences between the recognized gains and losses in the financial statements and their recognition in tax computations. The company has chosen to discount deferred tax assets and liabilities.

(k) **Operating Leases**

Rentals paid in respect of operating leases are charged to the profit and loss account as incurred. The Company does not have any finance leases.

(l) **Cash Flow Statement**

A cash flow statement has not been prepared on the grounds that the Company is a wholly owned subsidiary of Corus Group plc, which presents a consolidated cash flow statement in its financial statements in accordance with Financial Reporting Standard Number 1.

(m) **Related Party Transactions**

In accordance with the exemption allowed by FRS8 "Related Party Transactions", transactions with Corus Group plc and fellow subsidiary undertakings are not disclosed.

2. OTHER OPERATING INCOME

	2002	2001
	£	£
Share dividends and interest receivable on loans	523,234	470,633
Software license fees	12,000	-
Arrangement fees	3,850	28,445
Profit on realisation of shares	453,414	178,551
Group Management charges	586,930	-
ERDF grant income (note 14)	318,226	382,023
RDG grant income (note 14)	17,373	77,050
	<u>1,915,027</u>	<u>1,136,702</u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

3. OPERATING PROFIT/(LOSS)

	2002	2001
	<u>£</u>	<u>£</u>
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	347,956	365,156
Auditors' remuneration for:		
- audit	10,000	10,750
- other services	-	1,100
Hire of machinery and equipment - operating leases	62,401	37,805
Profit on disposals of fixed assets	1,500	16,500
Provisions against loans	405,330	506,573
Provision for foreseeable losses (note 21)	85,266	-

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	<u>£</u>	<u>£</u>
Group interest	309,915	191,058
Bank interest	17,870	17,687
Other interest	4,006	3,492
	331,791	212,237

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

5. EMPLOYEE INFORMATION

	2002	2001
	£	£
Wages and salaries	1,037,667	967,440
Social security costs	90,971	89,935
Other pension costs	12,234	12,291
	<u>1,140,872</u>	<u>1,069,666</u>

The average weekly number of persons (including executive directors) employed by the company during the period was as follows:

	2002	2001
	Number	Number
Administration	<u>30</u>	<u>27</u>

6. TAXATION

The taxation credit comprises:

	2002	2001
	£	£
Group relief in respect of current period	-	90,722
Adjustment in respect of prior periods' group relief	-	106,866
Current tax	-	197,588
Origination and reversal of timing differences	-	-
Increase/(decrease) in discount	-	-
Deferred tax	-	-
	<u>-</u>	<u>197,588</u>

The current tax credit reconciles with the standard rate of corporation tax as follows:

Tax on result at standard rate 30% (2001: 30%)	109,096	80,184
Temporary timing differences between taxable and accounting profit:	-	
Accelerated capital allowances	19,853	(47,067)
Other timing differences	-	1,037
Prior year credit	-	106,866
Permanent differences	(128,949)	56,568
	<u>-</u>	<u>197,588</u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

7. DIRECTORS' EMOLUMENTS

No directors exercised any share options in the period.

	2002	2001
	<u>£</u>	<u>£</u>
Aggregate emoluments	<u>80,402</u>	<u>142,173</u>

Retirement benefits are accruing to 1 (2001: 1) director under the British Steel Pension Scheme (1990) defined benefit scheme.

The emoluments of Mr Johnston and Mr Gardner are paid by the parent company. Their services to UK Steel Enterprise Ltd are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of Mr Johnston and Mr Gardner.

8. TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Assets Under Construction	Motor Vehicles and Equipment	Total
	£	£		£	£
<u>COST</u>					
At 30 December 2001	3,350,368	5,332,258	-	54,283	8,736,909
Additions	2,251	-	1,506,718	64,335	1,573,304
Disposals	-	-	-	(20,500)	(20,500)
At 28 December 2002	<u>3,352,619</u>	<u>5,332,258</u>	<u>1,506,718</u>	<u>98,118</u>	<u>10,289,713</u>
<u>DEPRECIATION</u>					
At 30 December 2001	(387,955)	(1,497,367)	-	(41,082)	(1,926,404)
Charge for year	(134,015)	(195,616)	-	(18,325)	(347,956)
Disposals	-	-	-	20,500	20,500
At 28 December 2002	<u>(521,970)</u>	<u>(1,692,983)</u>	<u>-</u>	<u>(38,907)</u>	<u>(2,253,860)</u>
<u>NET BOOK VALUE</u>					
At 28 December 2002	<u>2,830,649</u>	<u>3,639,275</u>	<u>1,506,718</u>	<u>59,211</u>	<u>8,035,853</u>
At 30 December 2001	<u>2,962,413</u>	<u>3,834,891</u>	<u>-</u>	<u>13,201</u>	<u>6,810,505</u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

9. INVESTMENT IN SUBSIDIARY UNDERTAKING

	<u>£</u>
Cost and net book value at 29 December 2001 and 28 December 2002	<u>10,000</u>

The Company has the following subsidiary undertakings, all of which are registered in England and Wales.

- UKSE Fund Managers Ltd (wholly owned)
- UKSE Fund Managers (General Partner) Ltd (wholly owned by UKSE Fund Managers Ltd)

10. INVESTMENTS

	Total
	<u>£</u>
At 30 December 2001	671,479
Additions	382,240
Disposals/repayments	(92,420)
Movements in provisions	(214,148)
	<u>747,151</u>
At 28 December 2002	<u>747,151</u>
Number of companies	<u>65</u>

Investments represent ordinary, preferred ordinary and preference shares in unquoted companies.

The directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 5 of the Companies Act 1985 is such that compliance would result in information of excessive length being given. In accordance with section 231 of that Act all such information will be annexed to the Company's next annual return.

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

11. DEBTORS

	2002	2001
	<u>£</u>	<u>£</u>
<i>Amounts falling due after more than one year</i>		
Loans (note 1(f))	1,228,488	1,536,302
Prepayments and accrued income (note 19)	97,359	91,790
	<u>1,325,847</u>	<u>1,628,092</u>
<i>Amounts falling due within one year</i>		
Loans (note 1(f))	1,160,490	1,093,096
Amounts owed by group undertakings	11,047,935	7,087,803
Group relief receivable	-	90,722
Prepayments and accrued income (note 19)	82,139	142,469
Other debtors (including interest on loans (note 1(f)))	287,675	296,084
	<u>12,578,239</u>	<u>8,710,174</u>
	<u><u>13,904,086</u></u>	<u><u>10,338,266</u></u>

12. CREDITORS - Amounts falling due within one year

	2002	2001
	<u>£</u>	<u>£</u>
Trade creditors	273,226	74,380
Amounts owed to group undertakings	467,980	-
Other tax and social security	-	28,254
Deposits held	243,551	235,268
Other creditors	252,379	220,751
	<u>1,237,136</u>	<u>558,653</u>
	<u><u>1,237,136</u></u>	<u><u>558,653</u></u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

13. CREDITORS – amounts falling due after more than one year

	2002	2001
	£	£
Amounts owed to group undertakings	<u>6,000,000</u>	<u>2,000,000</u>

Amounts owed to group undertakings represent a non interest bearing loan from Corus UK Limited, the immediate parent company of UK Steel Enterprise Limited, which only becomes repayable upon the sale, liquidation or winding up of the Company.

14. ACCRUALS AND DEFERRED INCOME

	2002	2001
	£	£
Regional Development Grants		
At 30 December 2001	117,948	194,998
Transfer to profit and loss account (note 2)	(17,373)	(77,050)
At 28 December 2002	<u>100,575</u>	<u>117,948</u>
European Regional Development Fund Grants		
At 30 December 2001	717,645	944,403
Additions	317,921	155,265
Transfer to profit and loss account (note 2)	(318,226)	(382,023)
At 28 December 2002	<u>717,340</u>	<u>717,645</u>
Total deferred grants at 28 December 2002	<u>817,915</u>	<u>835,593</u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

Deferred taxation is provided in the financial statements in accordance with the Company's accounting policy described in note 1(j).

	2002	2001
	£	£
Short term timing differences	29,932	29,932
Accelerated capital allowances	228,191	248,043
Losses	(258,123)	(277,975)
	-	-
Undiscounted provision for deferred tax	-	-
Discount	-	-
	-	-
	-	-
At 30 December 2001	-	-
Profit and loss account	-	-
	-	-
At 28 December 2002	-	-

A deferred tax asset is not recognised in respect of tax losses of £3,683,927 (2001: £4,210,417) due to the uncertainty of utilisation.

Provision for foreseeable losses

	2002	2001
	£	£
At 30 December 2001	-	-
Charged in the year (see notes 3 & 21)	85,266	-
	85,266	-
At 28 December 2002	85,266	-

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

16. **SHARE CAPITAL**

	2002	2001
	<u>£</u>	<u>£</u>
Authorised:		
Ordinary shares at £1 each	12,000,000	12,000,000
Allotted, called up and fully paid:		
Ordinary shares at £1 each	10,000,100	10,000,100

17. **RESERVES**

	Profit & Loss Account
	<u>£</u>
At 30 December 2001	4,969,187
Retained profit for the financial period	363,652
At 28 December 2002	5,332,839

18. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002	2001
	<u>£</u>	<u>£</u>
Profit/(loss) for the financial period	363,652	(69,692)
Net increase/(decrease) to shareholders' funds	363,652	(69,692)
Opening shareholders' funds	14,969,287	15,038,979
Closing shareholders' funds	15,332,939	14,969,287

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

19. PENSIONS

The Company participates in The British Steel Pension Scheme, a group pension scheme operated by Corus Group plc. This is a defined benefit scheme providing benefits based on final pay and service at retirement. The scheme is operated under trust and its assets are invested independently of the group.

The costs of the scheme were assessed in accordance with the advice of independent qualified actuaries and have been based on an actuarial valuation of the scheme at 31 March 2002. Particulars of the valuation are contained in the financial statements of Corus Group plc. The pension costs to the Company for the year ended 28 December 2002, which are based on pension costs across the whole scheme, amounted to £12,234 (2001: £12,291). A prepayment of £106,287 (2001: £99,772) is included in debtors, of which £97,359 (2001: £91,790) falls due after more than one year, representing the excess of the amounts funded over the pension charge for the year.

The requirements of FRS17 "Retirement Benefits" do not have to be fully implemented until accounting periods that begin on or after 1 January 2005. Since the company is unable to identify its share of the underlying assets and liabilities in the British Steel Pension Scheme on a consistent and reasonable basis, pension obligations will be accounted for as multi-employer under FRS17. Full transitional disclosures are provided in the financial statements of Corus Group plc.

The last valuation for funding purposes was performed at 31 March 2002 and the funding level revealed was 111%. UK Steel Enterprise Ltd are contributing 2% of pensionable salary into the scheme along with other participating employers.

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NOTES TO THE FINANCIAL STATEMENTS – 28 DECEMBER 2002

20. CONTINGENT LIABILITIES AND COMMITMENTS

	2002	2001
	£	£
(a) Loans and investments in share capital committed but not paid	<u>408,000</u>	<u>1,092,000</u>
(b) Leasing commitments		
The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:		
Motor vehicles, leases expiring within 1 year	9,930	952
Motor vehicles, leases expiring within 2-5 years	60,745	43,284
	<u>70,675</u>	<u>44,236</u>
(c) Capital expenditure contracted but not provided for	<u>2,689,000</u>	-
(d) Third party loans guaranteed	<u>30,000</u>	<u>30,000</u>

21. POST BALANCE SHEET EVENT

A minority shareholder of a company, in which UK Steel Enterprise Ltd holds 5% of the ordinary equity, brought a successful unfair prejudice claim against the company and its shareholders. An out of court settlement was reached whereby if the shareholders were unable to sell the entire share capital of the company before 30 June 2003, the minority shareholder had the right to require the purchase of his shares.

On 27 June 2003 the company settled the claim brought by the minority shareholder. UK Steel Enterprise Ltd acquired an additional 13.92% of the share capital of the company for a consideration of £250,000. Based on the net assets valuation of the company, there was an immediate diminution in value of the shares of £85,266.

As the settlement of the claim provided additional evidence of an event that was more likely than not to occur at the balance sheet date, a provision for foreseeable losses of £85,266 (see note 15) has been included in the financial statements

UK STEEL ENTERPRISE LTD

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22. RING-FENCED FUNDS

Within current assets there are European Regional Development Fund grant assisted investment funds which have been set up for investments in specific areas of the United Kingdom. Under the terms of the different schemes these funds are ring fenced for investment in accordance with the scheme rules. The totals of these funds as at 28 December 2002 are as shown below.

	2002	2001
	<u>£</u>	<u>£</u>
Yorkshire and Humberside Enterprise Fund	720,657	603,173
South Wales Technology and Enterprise Fund	730,517	66,630
North of England Venture Capital Fund	92,475	87,324
	<u>1,543,649</u>	<u>757,127</u>

23. ULTIMATE PARENT COMPANY

The ultimate parent company of UK Steel Enterprise Limited is Corus Group plc, which is a company registered in England and Wales. A copy of the ultimate parent company's financial statements can be obtained from the Company Secretary, Corus Group plc, 30 Millbank, London, SW1P 4WY.