

BRITISH STEEL (INDUSTRY) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th March 1996

Registered number: 535960



BRITISH STEEL (INDUSTRY) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th March 1996

1. The directors submit herewith the audited financial statements of the company for the year ended 30th March 1996. The company is a subsidiary of British Steel plc ("British Steel").

2. **Principal Activities**

The principal activities of the company are the provision of finance (mainly by way of loan and share capital), premises and advisory services to firms intending to expand and create economic growth in those areas of the United Kingdom where unemployment has been most directly affected by the closure of British Steel works or by the reduction of British Steel activities.

The company initiates and also gives tangible support to other organisations active in economic regeneration and education, including Enterprise Agencies and Youth Business initiatives.

3. **Review of Operations**

A significant growth in income from both managed workspace and the investment portfolio, a sharp reduction in the level of provision against doubtful debts and a further decrease in operating costs have all had a positive effect on a pleasing annual result. The directors expect the present level of activity will be sustained for the foreseeable future.

Some £1.75M was provided in the form of loan capital or share capital to client companies in 19 operating areas throughout the U.K. New workspace facilities at Bellshill and Coatbridge are now making a significant contribution to the business and some of the older properties, particularly in South Wales, are also making good returns.

Youth initiatives continued throughout the year. The Motherwell Youth Enterprise Centre is now fully operational and attracting young entrepreneurial talent from within the locality.

4. **Results and Dividends**

The company made a loss of £118,808 as set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (1995: £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.

6. **Directors**

The following directors all served throughout the year, except where indicated:

Dr D Grieves (Chairman)
Mr D K Brookman
Mr W J Cain
Mr V J Smith
Mr P J K Ferguson
Mr A J Johnston (appointed 8 February 1996)

7. **Directors' Interests in Shares of the Group**

The interests of the directors in the shares of British Steel plc at 1 April 1995, together with their interests at 30 March 1996 and movements in their share options in the year were:-

	<u>Shares</u>		<u>Options</u>					
	<u>1.4.95</u>	<u>30.3.96</u>	<u>Sharesave</u>		<u>Executive</u>		<u>Granted</u>	<u>Exerc'd</u>
			<u>1.4.95</u>	<u>30.3.96</u>	<u>1.4.95</u>	<u>30.3.96</u>		
D Grieves	70,166	68,000	0	0	434,200	0	0	434,200
W Cain	0	0	36,250	36,250	204,700	46,500	21,500	179,700
V Smith	2,215	2,215	13,680	13,175	12,000	23,000	13,495	3,200
P Ferguson	4,492	7,692	22,409	22,659	240,000	56,800	29,950	212,900
D Brookman	0	0	0	0	0	0	0	0
A Johnston*	2,241	2,241	36,250	36,250	43,500	43,500	0	0

* Interests at date of appointment instead of 1 April 1995.

The Directors had no interest, as defined by the Companies Act 1985, in the shares of any other member of the Group during the period covered by these financial statements.

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 year 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 judgements and estimates have been made in the preparation of the financial statements for the year ended 30th March 1996. 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**

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By Order of the Board



S A Williamson
Secretary

Bridge House
Bridge Street
Sheffield S3 8NS
7th August 1996

**REPORT OF THE AUDITORS TO THE MEMBERS
OF
BRITISH STEEL (INDUSTRY) LIMITED**

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

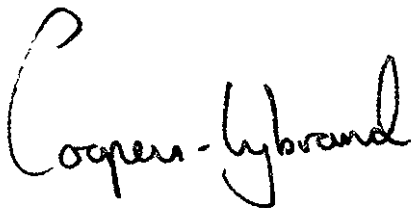
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30th March 1996 and of its loss and total recognised gains and losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Coopers - Lybrand". The signature is written in dark ink and is positioned above the printed name of the firm.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
SHEFFIELD
17th August 1996

BRITISH STEEL (INDUSTRY) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th March 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
Turnover - continuing operations	1(i)		
• Licence fees for workshops		985,791	827,433
• Other		<u>160,581</u>	<u>157,003</u>
		<u>1,146,372</u>	<u>984,436</u>
Operating loss - continuing operations	2	(422,901)	(1,201,179)
Profit on the sale of fixed assets		<u> -</u>	<u>92,738</u>
Loss on ordinary activities before taxation		(422,901)	(1,108,441)
Taxation on loss on ordinary activities	3	<u>304,093</u>	<u>266,655</u>
Loss for the financial year after taxation		<u>(118,808)</u>	<u>(841,786)</u>
STATEMENT OF RETAINED PROFITS			
Retained profits at 1st April 1995		4,561,054	5,402,840
Loss for the financial year as above		<u>(118,808)</u>	<u>(841,786)</u>
Retained profits at 30th March 1996		<u>4,442,246</u>	<u>4,561,054</u>

There is no material difference between the loss on ordinary activities before tax and the retained loss for the year stated above and their historical cost equivalents.

BRITISH STEEL (INDUSTRY) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30th March 1996

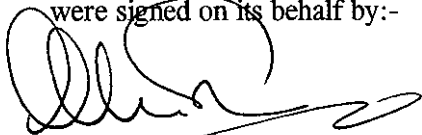
	<u>1996</u> £	<u>1995</u> £
Loss for the financial year after taxation	(118,808)	(841,786)
Unrealised diminution in value of properties	_____ -	<u>(317,800)</u>
Total losses recognised since last annual report	<u>(118,808)</u>	<u>(1,159,586)</u>

BRITISH STEEL (INDUSTRY) LIMITED

BALANCE SHEET AT 30th March 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	6	<u>4,944,309</u>	<u>5,101,735</u>
INVESTMENTS	7	823,568	668,310
CURRENT ASSETS			
Debtors:			
amounts falling due after more than 1 year	8	675,192	636,926
amounts falling due within 1 year	8	10,332,107	10,529,758
Cash at bank and in hand		<u>2,418</u>	<u>6,162</u>
		11,833,285	11,841,156
CREDITORS - Amounts falling due within one year	9	<u>(509,147)</u>	<u>(580,049)</u>
NET CURRENT ASSETS		<u>11,324,138</u>	<u>11,261,107</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,268,447	16,362,842
ACCRUALS AND DEFERRED INCOME	10	(395,578)	(426,215)
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(148,119)</u>	<u>(93,069)</u>
		<u>15,724,750</u>	<u>15,843,558</u>
CAPITAL AND RESERVES			
Called up share capital	12	10,000,100	10,000,100
Profit and loss account		4,442,246	4,561,054
Revaluation reserve	13	<u>1,282,404</u>	<u>1,282,404</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>15,724,750</u>	<u>15,843,558</u>

The financial statements on pages 6 to 18 were approved by the board of directors on 7th August 1996 and were signed on its behalf by:-



V J SMITH
Director

BRITISH STEEL (INDUSTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30th March 1996

1. GENERAL NOTES ON THE FINANCIAL STATEMENTS AND 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**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings, and in accordance with applicable Accounting Standards in the United Kingdom.

(b) **Financial Year**

These financial statements have been prepared for the 52 weeks from 1st April 1995 to 30th March 1996.

(c) **Tangible Fixed Assets**

Certain freehold land and buildings are stated at a valuation. Where a valuation reveals a diminution in value, the carrying value is adjusted first of all against the revaluation reserve on that property. Any deficiency in excess of the revaluation is taken to profit and loss account so as to reduce the property to its market value. All other 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).

(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:

	<u>%</u>
Freehold land	-
Freehold buildings	4
Equipment	10
Motor Vehicles	25

(e) **Government 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 circumstance 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 periods of three to five years) at varying repayment terms to new firms or to firms intending to expand their operations, thus creating employment opportunities in areas of the UK where unemployment has been affected by the closure of British Steel activities. Income from these loans comprises interest accrued 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) **Provisions**

Included in provisions for liabilities and charges are amounts to be paid as contributions to the funding of Enterprise Trusts which are provided for at the time when the commitment is made and accepted.

(h) **Pensions**

The company contributes to a group pension scheme operated by British Steel. Contributions and pension costs are based on pension costs 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 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.

(i) **Turnover**

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

(j) **Investments**

Investments are valued at the lower of cost and estimated net realisable value. Predominantly investments represent holdings of preference shares issued by new firms in areas affected by the closure of British Steel activities. Provisions against investments are made as a result of a detailed periodic review of the investment portfolio.

(k) **Deferred Taxation**

Deferred taxation is accounted for, using the liability method, in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

(l) **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.

(m) **Cash Flow Statement**

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

2. **OPERATING LOSS IS MADE UP AS FOLLOWS:-**

	<u>1996</u>	<u>1995</u>
	£	£
Turnover		
● Licence fees from workshops	985,791	827,433
● Other	160,581	157,003
Other operating income		
Share dividends and interest receivable on loans	504,089	454,974
Profit on redemption of shares	152,578	26,385
Interest receivable from British Steel	501,712	444,677
Income from the settlement of a legal case	-	59,103
Other income	<u>35,163</u>	<u>29,516</u>
	2,339,914	1,999,091
Staff costs		
Wages and salaries	(945,564)	(919,379)
Social security costs	(81,717)	(77,711)
Other pension costs (note 15)	(50,442)	(48,559)
Depreciation	(190,369)	(361,754)
Grant release	30,637	28,844
Auditors' remuneration	(12,650)	(12,650)
(Loss)/profit on sale of tangible fixed assets	(4,245)	1,712
Operating lease rentals - land and buildings	(93,214)	(131,780)
Other operating charges including provision for doubtful debts and write down of investments	<u>(1,415,251)</u>	<u>(1,678,993)</u>
	<u>(422,901)</u>	<u>(1,201,179)</u>

The whole of the operating loss relates to continuing operations.

3. **TAX ON LOSS ON ORDINARY ACTIVITIES**

The taxation credit comprises:

	<u>1996</u>	<u>1995</u>
	£	£
Group relief receivable	250,000	232,000
Tax attributable to franked investment income	(44,884)	(26,385)
Adjustments in respect of prior years:		
Group relief received	104,567	61,040
Tax attributable to franked investment income	<u>(5,590)</u>	<u>-</u>
	<u>304,093</u>	<u>266,655</u>

4. **DIRECTORS' EMOLUMENTS**

	<u>1996</u>	<u>1995</u>
	£	£
Fees	750	250
Other emoluments of directors including pension scheme contributions	<u>124,453</u>	<u>119,292</u>
	<u>125,203</u>	<u>119,542</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

The Chairman	<u>38,820</u>	<u>39,123</u>
The highest paid director	<u>79,411</u>	<u>74,356</u>

The number of directors (including the Chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	<u>Number</u>	<u>Number</u>
£ 0 - 5,000	4	4
£10,000 - 15,000	-	1
£25,001 - 30,000	-	1
£35,001 - 40,000	1	-
£70,001 - 75,000	-	1
£75,001 - 80,000	1	-

5. **EMPLOYEES**

An analysis of employment costs, which include emoluments of executive directors, appears in note 2. Excluding non-executive directors, the average number of persons engaged on the company's activities during the year was 37 (1995:44).

The staff are employees of British Steel.

6. **TANGIBLE FIXED ASSETS**

	<u>Freehold Land and Buildings</u>	<u>Equipment and Motor Vehicles</u>	<u>Total</u>
	£	£	£
<u>COST OR VALUATION</u>			
At 2nd April 1995	5,460,942	249,577	5,710,519
Additions	-	49,728	49,728
Disposals	<u>-</u>	<u>(55,281)</u>	<u>(55,281)</u>
At 30th March 1996	<u>5,460,942</u>	<u>244,024</u>	<u>5,704,966</u>
<u>DEPRECIATION</u>			
At 2nd April 1995	(520,028)	(88,756)	(608,784)
Charge for year	(130,375)	(59,994)	(190,369)
Disposals	<u>-</u>	<u>38,496</u>	<u>38,496</u>
At 30th March 1996	<u>(650,403)</u>	<u>(110,254)</u>	<u>(760,657)</u>
<u>NET BOOK VALUE</u>			
At 30th March 1996	<u>4,810,539</u>	<u>133,770</u>	<u>4,944,309</u>
At 2nd April 1995	<u>4,940,914</u>	<u>160,821</u>	<u>5,101,735</u>
<u>COST/VALUATION</u>			
Valuation (see (a) below)	2,328,336	-	2,328,336
Cost	<u>3,132,606</u>	<u>244,024</u>	<u>3,376,630</u>
	<u>5,460,942</u>	<u>244,024</u>	<u>5,704,966</u>

- (a) Certain freehold land and buildings are included at valuation performed at 31 March 1990 by the following independent chartered surveyors, King Sturge & Co, J Trevor & Sons, James Barr & Sons, Storey Sons & Parker and J T R Raine. A directors valuation was carried out on certain properties at 1st April 1995 and a diminution in value was identified which was adjusted as appropriate. The directors have reviewed the carrying values at 30 March 1996 to confirm their valuation at that date.
- (b) If freehold land and buildings had not been revalued they would have been included in these financial statements at the following amounts:

	<u>1996</u>	<u>1995</u>
	£	£
Historical cost	4,791,106	4,791,106
Depreciation based on cost	<u>(1,287,719)</u>	<u>(1,137,868)</u>
Historical net book value at 30th March 1996	<u>3,503,387</u>	<u>3,653,238</u>

7. INVESTMENTS

Details of those investments in which the company holds more than a 20% interest in a class of shares are set out below. Shares with an original cost of £76,000 are expected to be redeemed within the next 12 months. Negotiations are currently in progress for the sale of two investments (original cost - £175,000).

Name of Company	Description of Shares held	Proportion of Nominal Value of class	% of Ordinary Shares held
* Advanced Outlook Ltd	25,000 Prefs	100.0%	-
* Anotek Ltd	45,000 Prefs	100.0%	-
	30,000 Pref Ords	100.0%	12.0%
Applied Security Design Ltd	4,500 Pref Ords	100.0%	15.0%
	120,000 Prefs	100.0%	-
APT Electronics Ltd	15,000 Ords	30.0%	30.0%
Asepsis Systems Ltd	4,000 Pref Ords	100.0%	16.7%
* Associated Metal (Stainless) Ltd	7,500 Pref Ords	100.0%	15.0%
	60,000 Prefs	100.0%	-
Autobus Classique Ltd	10,500 Ords	20.0%	20.0%
Blastpride (Holdings) Ltd	7,059 Pref Ords	100.0%	15.0%
* Calman Technology Ltd	16,000 Prefs	100.0%	-
	9,000 Pref Ords	100.0%	18.0%
CCB Ltd	6,464 Pref Ords	100.0%	18.0%
	53,536 Prefs	100.0%	-
Chuft Toys and Gifts Ltd	308 Pref Ords	100.0%	10.0%
Computerised Training Services Ltd	3,333 Pref Ords	100.0%	39.5%
	46,667 Prefs	100.0%	-
Coubrough & McKeracher (Printers) Ltd	35,000 Prefs	100.0%	-
	15,000 Pref Ords	100.0%	20.0%
Digitrol Ltd	12,706 Pref Ords	100.0%	15.0%
* Eaglesfield Fashions Ltd	25,000 Prefs	100.0%	-
* EMIS (UK) Ltd	17,648 Pref Ords	100.0%	15.0%
	57,352 CRP Prefs	100.0%	-
Flexability Ltd	4,969 Pref Ords	100.0%	24.9%
	60,000 Prefs	100.0%	-
* G.T. Martin & Sons Ltd	50,000 Prefs	50.0%	-
Hornbill Engineering Ltd	15,000 `A' Prefs	100.0%	-
* Hunter Engineering Ltd	5,000 Pref Ords	100.0%	17.0%
	20,000 Prefs	100.0%	-
Image Systems (Europe) Ltd	25,000 `D' Prefs	100.0%	-
Intelligent Database Marketing Ltd	11,538 Pref Ords	42.9%	15.0%
	35,750 Prefs	26.4%	-
* J & JR Ltd	25,000 Prefs	100.0%	-
Lucassen Young Holdings Ltd	25,000 Pref Ords	100.0%	20.0%
Mechan Ltd	10,723 Pref Ords	100.0%	12.5%
	35,000 Prefs	100.0%	-
Montank Ltd	39,000 Pref Ords	100.0%	20.0%
* Pierceton Engineering Ltd	9,750 Pref Ords	100.0%	7.5%
	30,250 Prefs	100.0%	-
Precision Cast Components Ltd	5,824 Pref Ord	100.0%	15.0%
	35,000 Prefs	100.0%	-
Porter Plant Ltd	56 Ords	100.0%	7.5%
	90,000 Prefs	100.0%	-
Sheffield Stainless Profiles Ltd	15,000 Pref Ords	100.0%	22.9%
Speedome Ltd	4,000 Pref Ords	73.5%	10.0%
	71,000 Prefs	75.1%	-
* Thomson Pettie Tube Products Ltd	19,737 Prefs	100.0%	-
Underwood Meat Co Ltd	25,000 Prefs	50.0%	-
Waterstone Glassware Ltd.	90,278 Pref Ords	100.0%	5.0%
Whiteley Read Ltd	43,500 Prefs	100.0%	-
	33,200 Pref Ords	100.0%	17.4%

All shares have a nominal value of £1 each. All the above companies are registered in England and Wales except those specifically marked with an asterisk which are registered in Scotland.

During the year the company realised the following preference and ordinary shares holdings, Hornbill

Engineering Ltd, International Cuisine Ltd, Terra Tek Ltd and part of Flexability Ltd.

8. **DEBTORS**

	<u>1996</u> £	<u>1995</u> £
Amounts falling due after more than one year		
Loans (note 1(f))	612,264	573,998
Prepayments (note 15)	<u>62,928</u>	<u>62,928</u>
	<u>675,192</u>	<u>636,926</u>
Amounts falling due within one year		
Loans (note 1(f))	559,111	731,380
Amounts owed by group undertakings	9,213,710	8,971,805
Group relief receivable	250,000	397,395
Prepayments (note 15)	44,517	40,169
Other debtors (including interest on loans (note 1(f)))	<u>264,769</u>	<u>389,009</u>
	<u>10,332,107</u>	<u>10,529,758</u>
	<u>11,007,299</u>	<u>11,166,684</u>

9. **CREDITORS - Amounts falling due within one year**

	<u>1996</u> £	<u>1995</u> £
Bank: unpresented cheques	31,622	111,850
Trade creditors	76,485	45,125
Corporation tax	-	24,073
Other tax and social security	11,056	14,905
Deposits held	163,087	132,240
Other creditors	<u>226,897</u>	<u>251,856</u>
	<u>509,147</u>	<u>580,049</u>

10. **ACCRUALS AND DEFERRED INCOME**

	<u>Regional Development and other capital grants</u>	
	<u>1996</u> £	<u>1995</u> £
At 2nd April 1995	426,215	456,851
Additions	-	112,721
Transfer to profit & loss account (note 2)	(30,637)	(28,844)
Transfer to fixed assets	-	<u>(114,513)</u>
At 30th March 1996	<u>395,578</u>	<u>426,215</u>

11. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>1996</u>	<u>1995</u>
	£	£
Other provisions (see (a) below)	<u>148,119</u>	<u>93,069</u>

(a) **Other Provisions**

Enterprise
Agencies and
Trusts

£

At 2nd April 1995	93,069
Expenditure during year	(338,790)
Charge to profit and loss account	<u>393,840</u>
At 30th March 1996	<u>148,119</u>

(b) **Deferred Taxation**

Deferred taxation provided in the financial statements in accordance with the company's accounting policy described in note 1(k) and the unprovided of the total potential liability are set out below:

	<u>1996</u>	
	<u>Amount provided</u>	<u>Amount Unprovided</u>
	£	£
Short term timing differences	72,528	-
Potential liabilities on surplus on revaluation of properties and accelerated capital allowances	-	888,623
Excess management expenses	<u>(72,528)</u>	<u>(888,623)</u>
	<u>-</u>	<u>-</u>

	<u>1995</u>	
	<u>Amount provided</u>	<u>Amount Unprovided</u>
Short term timing differences	-	85,383
Potential liabilities on surplus on revaluation of properties and accelerated capital allowances	-	1,005,174
Excess management expenses	<u>-</u>	<u>(1,090,557)</u>
	<u>-</u>	<u>-</u>

12.	<u>SHARE CAPITAL</u>		
		<u>1996</u>	<u>1995</u>
		£	£
	Authorised		
	Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>
	Allotted, called up Ordinary shares of £1 each:		
	Fully paid	<u>10,000,100</u>	<u>10,000,100</u>

13. **REVALUATION RESERVE**

£

At 1st April 1995 and 30th March 1996 1,282,404

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

	<u>1996</u>	<u>1995</u>
	£	£
Opening shareholders' funds	<u>15,843,558</u>	<u>17,003,144</u>
Loss for the financial year	(118,808)	(841,786)
Other recognised losses for the year	-	(317,800)
Net reduction to shareholders' funds	<u>(118,808)</u>	<u>(1,159,586)</u>
Closing shareholders' funds	<u>15,724,750</u>	<u>15,843,558</u>

15. **PENSIONS**

The company participates in a group pension scheme operated by British Steel. 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 1993. Particulars of the valuation are contained in the financial statements of British Steel. The pension costs to the company for the year ended 30th March 1996, which are based on contributions to the whole group scheme, amounted to £50,442 (1995: £48,559). A prepayment of £69,000 (1995: £69,000) is included in debtors, of which £62,928 (1995: £62,928) falls due after more than one year, representing the excess of the amounts funded over the pension charge for the year.

16. **CONTINGENT LIABILITIES AND COMMITMENTS**

	<u>1996</u>	<u>1995</u>
	£	£
(a) Loans and investments in share capital committed but not paid	<u>719,500</u>	<u>913,750</u>
(b) Leasing commitments		
The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:		
Land and buildings, leases expiring within:		
One to two years	16,250	18,750
Two to five years	<u>22,700</u>	<u>42,200</u>
	<u>38,950</u>	<u>60,950</u>
(c) Capital expenditure		
Capital expenditure contracted but not provided for	<u>59,812</u>	<u>-</u>

17. **ULTIMATE HOLDING COMPANY**

The company is a subsidiary of British Steel, which is a company registered in England and Wales. A copy of the ultimate holding company's financial statements can be obtained from the Company Secretary, British Steel plc, 9 Albert Embankment, London, SE1 7SN.