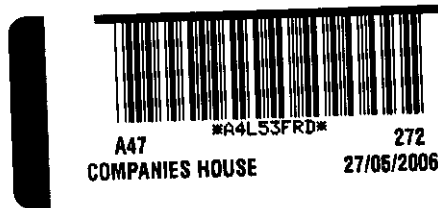


UK STEEL ENTERPRISE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2005

Registered number: 535960



UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

1. Financial Statements

The directors submit herewith the audited financial statements of the Company for the period ended 31 December 2005. 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 period with an average occupancy level of 91%. Our new managed workspace at Hartlepool opened in December and is filling up rapidly, with over 60% already let.

Lending and investment activity was buoyant throughout the period. Following an exceptional level of dividends in the previous period, income from share dividends and loan interest has seen a significant decrease.

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 £482,167 (1 January 2005: £1,113,100) as set out in the profit and loss account on page 6. 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 (1 January 2005: £nil).

5. Fixed Assets

In the opinion of the directors, the market value of land and buildings is not significantly different from the book value at which these properties are included in the balance sheet. None of these properties are held for their investment potential.

6. Directors

The following directors all served throughout the period:

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

UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

7. Directors' Interests in Shares of the Group

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

	<u>31 Dec 2005</u>	<u>1 Jan 2005</u>
A J Johnston	18,036	18,036
S R Green	50,569	47,555
V J Smith	13,549	13,549
Lord Brookman	-	-
A V L Williams	-	22,000
C D Gardner	17,831	7,974
M J Leahy	-	-

The interests of the directors in the Corus Group Executive Share Option Scheme and the Corus Group Sharesave Scheme are shown below.

Executive share option schemes

Ordinary shares of 10p	Date of grant	Option price	<u>1 Jan 2005</u>	<u>Movement during the period</u>			<u>31 Dec 2005</u>	<u>Exercise Period</u>	
			Number	Exercised Number	Granted Number	Lapsed/ cancelled Number	Number	From	To
A J Johnston	1995	126p	26,730	-	-	26,730	-	30 Jun 1998	30 Jun 2005
	1996	134p	31,866	-	-	-	31,866	30 Jul 1999	30 Jul 2006
	1997	118p	40,952	-	-	-	40,952	24 Jul 2000	24 Jul 2007
	1999	125p	96,915	-	-	-	96,915	30 Jun 2002	30 Jun 2009
	2000	117p	171,340	-	-	171,340	-	4 Feb 2003	4 Feb 2010
	2001	54p	410,103	410,103	-	-	-	28 Mar 2004	28 Mar 2011
			777,906	410,103	-	198,070	169,733		
S R Green	1997	118p	10,007	-	-	-	10,007	24 Jul 2000	24 Jul 2007
	1999	125p	20,013	-	-	-	20,013	30 Jun 2002	30 Jun 2009
	2000	117p	37,216	-	-	-	37,216	4 Feb 2003	4 Feb 2010
	2001	54p	55,876	-	-	-	55,876	28 Mar 2004	28 Mar 2011
			123,112	-	-	-	123,112		
V J Smith	1995	126p	14,118	-	-	14,118	-	30 Jun 1998	30 Jun 2005
	1996	134p	14,220	-	-	14,220	-	30 Jul 1999	30 Jul 2006
	1997	118p	18,829	-	-	18,829	-	24 Jul 2000	24 Jul 2007
			47,167	-	-	47,167	-		
C D Gardner	1995	126p	9,875	-	-	9,875	-	30 Jun 1998	30 Jun 2005
	1996	134p	9,348	-	-	-	9,348	30 Jul 1999	30 Jul 2006
	1997	118p	13,957	-	-	-	13,957	24 Jul 2000	24 Jul 2007
	1999	125p	48,984	-	-	-	48,984	30 Jun 2002	30 Jun 2009
	2000	117p	60,618	-	-	-	60,618	4 Feb 2003	4 Feb 2010
	2001	54p	95,051	-	-	-	95,051	28 Mar 2004	28 Mar 2011
			237,833	-	-	9,875	227,958		

Sharesave option schemes

Ordinary shares of 10p	Date of grant	Option price	<u>1 Jan 2005</u>	<u>Movement during the period</u>			<u>31 Dec 2005</u>	Exercise Year
			Number	Exercised Number	Granted Number	Lapsed/ cancelled Number	Number	
S R Green	2001	50p	23,378	-	-	-	23,378	2006
	2005	39p	-	-	7,384	-	7,384	2009
			23,378	-	7,384	-	30,762	
C D Gardner	2001	50p	23,378	-	-	-	23,378	2006
	2004	42p	6,866	-	-	-	6,866	2008
			30,244	-	-	-	30,244	

The market price of the Corus Group plc shares at 31 December 2005 was 59p and the range during the period was 40p to 62p.

UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

8. Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that, other than where stated in the statement of accounting policies, 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 31 December 2005.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

9. 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
18 May 2006

The Innovation Centre
217 Portobello
Sheffield S1 4DP

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UK STEEL ENTERPRISE LIMITED

We have audited the financial statements of UK Steel Enterprise Limited for the period ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. 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 into 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

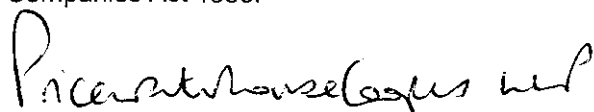
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield

22 May 2006

UK STEEL ENTERPRISE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2005**

		Period ended 31 Dec 2005	Period ended 1 Jan 2005
	Notes	£	£
Turnover	1(h)	2,483,707	2,268,131
Other operating income	2	2,884,519	1,574,022
Staff costs	5	(1,473,992)	(1,389,840)
Depreciation		(468,359)	(500,878)
Impairment loss	8	(1,538,617)	-
Other operating charges		(1,695,239)	(1,594,544)
Provisions written back / (made) against loans		(180,494)	154,824
Operating profit	3	11,525	511,715
Other interest receivable and similar income	4	518,922	486,540
Amounts written (off) / back to investments	10	(48,280)	114,845
Profit on ordinary activities before taxation		482,167	1,113,100
Taxation	6	-	-
Profit on ordinary activities after taxation	17	482,167	1,113,100

All items dealt with above relate to continuing operations.

UK STEEL ENTERPRISE LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 2005**

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Total recognised gains and losses relating to the period	482,167	1,113,100
Prior year adjustment (as explained in note 1(g))	(104,771)	
Total recognised gains and losses since last annual report	377,396	

UK STEEL ENTERPRISE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31 Dec 2005 £	1 Jan 2005 <i>restated</i> £
FIXED ASSETS			
Tangible assets	8	10,384,383	9,028,382
Investment in subsidiary undertaking	9	10,000	10,000
		10,394,383	9,038,382
INVESTMENTS			
	10	990,015	994,267
CURRENT ASSETS			
Debtors:			
amounts falling due after more than 1 year	11	1,607,000	1,744,221
amounts falling due within 1 year	11	15,642,582	15,899,715
Cash at bank and in hand		994,198	980,129
		19,233,795	19,618,332
CREDITORS: amounts falling due within 1 year	12	(1,087,155)	(1,059,051)
NET CURRENT ASSETS		18,146,640	18,559,281
TOTAL ASSETS LESS CURRENT LIABILITIES		28,541,023	27,597,663
CREDITORS: amounts falling due after more than 1 year	13	(10,000,000)	(10,000,000)
ACCRUALS AND DEFERRED INCOME	14	(1,155,189)	(693,996)
		17,385,834	16,903,667
CAPITAL AND RESERVES			
Called up share capital	16	10,000,100	10,000,100
Profit and loss account	17	7,385,734	6,903,567
EQUITY SHAREHOLDERS' FUNDS	18	17,385,834	16,903,667

The financial statements on pages 6 to 20 were approved by the board of directors on 18 May 2006 and were signed on its behalf by:-


 S R Green
 Director

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the more important accounting policies which, other than in respect of pensions (see note (g) below), 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 and in accordance with applicable Accounting Standards in the United Kingdom.

The financial statements contain information about UK Steel Enterprise Limited 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 Period**

These financial statements have been prepared for the 52 weeks from 2 January 2005 to 31 December 2005.

(c) **Tangible Fixed Assets**

All fixed assets are recorded at cost less accumulated depreciation and any impairment loss. Cost is purchase cost together with any incidental expenses of acquisition.

(d) **Depreciation**

Depreciation is provided so as to write off the cost 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
Computer equipment	33
Fixtures and fittings	10

(e) **Government and European Grants**

In accordance with SSAP 4 (Revised) government 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 the construction of a building which has a lower net realisable value than purchase price or production cost, the release of the grant to the profit and loss account is accelerated up to a maximum of any impairment loss.

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

(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 only 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 Group plc. Since the Company is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis, pension obligations are accounted for on a defined contribution basis as a multi-employer scheme in accordance with FRS 17.

This represents a change of accounting policy. Previously, contributions and pension costs were assessed across the group as a whole. The expected cost of providing pension benefits was 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 were treated as either provisions or prepayments in the balance sheet.

As a result of this change in accounting policy a prior year adjustment has been put through, removing a pension debtor of £104,771 thus reducing the comparative figures for debtors and the profit and loss reserves by this amount. There has been no impact on either the current or the prior periods reported profits.

(h) **Turnover**

Turnover comprises amounts due from workshop tenants for property rentals, licence fees and services provided (gas, electricity, rates etc) and is recognised as it arises.

(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.

FRS 25 "Financial Instruments: Disclosure and Presentation" became effective during the period and requires disclosure in respect of the Company's investments. This disclosure is already included in the financial statements.

(j) **Deferred Taxation**

The company has adopted FRS 19 "Deferred Tax", which requires full provision to be made for deferred tax arising from timing differences between the recognised gains and losses in the financial statements and their recognition in tax computations. In adopting FRS 19 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.

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

(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 FRS 8 "Related Party Transactions", transactions with Corus Group plc and fellow subsidiary undertakings are not disclosed.

2. **OTHER OPERATING INCOME**

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Share dividends and interest receivable on loans	395,019	686,329
Software license fees	-	10,625
Arrangement fees	-	1,500
Profit on realisation of shares	33,516	56,598
Group management charges	837,177	631,179
Amortisation of grant income (note 14)	1,618,807	187,791
	<u>2,884,519</u>	<u>1,574,022</u>

3. **OPERATING PROFIT**

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	468,359	500,878
Auditors' remuneration for:		
- audit	10,600	10,600
- other services	7,800	4,000
Hire of machinery and equipment - operating leases	71,653	74,828
Loss on disposals of fixed assets	411	-
Redundancy costs	123,000	35,000
Impairment loss	1,538,617	-
	<u>1,538,617</u>	<u>-</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

4. **OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Group interest	488,635	459,751
Bank interest	30,124	26,064
Other interest	163	725
	518,922	486,540

5. **EMPLOYEE INFORMATION**

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Wages and salaries	1,344,711	1,269,077
Social security costs	129,281	120,763
Other pension costs	-	-
	1,473,992	1,389,840

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

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	Number	Number
Administration	36	35

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

6. TAXATION

Taxation comprises:

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Current tax	-	-
The current tax reconciles with the standard rate of corporation tax as follows:		
Profit on ordinary activities before tax	482,167	1,113,100
Profit on ordinary activities multiplied by standard rate in the UK 30% (1 Jan 2005: 30%)	144,651	333,930
Temporary timing differences between taxable and accounting profit:		
Accelerated capital allowances	43,075	42,019
Other timing differences	-	(345)
Losses brought forward and utilised	(158,339)	(207,472)
Permanent differences	(29,387)	(168,132)
	-	-

7. DIRECTORS' EMOLUMENTS

During the period one (1 January 2005: Nil) director exercised options over 10p shares in Corus Group plc.

	Period ended 31 Dec 2005	Period ended 1 Jan 2005
	£	£
Aggregate emoluments	128,979	126,406

Retirement benefits are accruing to 1 (1 January 2005: 1) director under the British Steel Pension Scheme defined benefit scheme.

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

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

8. TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Assets Under Construction	Equipment	Total
	£	£	£	£	£
<u>COST</u>					
At 2 January 2005	4,996,247	8,334,473	58,625	163,324	13,552,669
Additions	-	9,203	3,329,992	24,193	3,363,388
Disposals	-	-	-	(1,172)	(1,172)
Transfers	3,388,617	-	(3,388,617)	-	-
At 31 December 2005	8,384,864	8,343,676	-	186,345	16,914,885
<u>DEPRECIATION</u>					
At 2 January 2005	(921,850)	(3,501,083)	-	(101,354)	(4,524,287)
Charge for period	(199,850)	(232,231)	-	(36,278)	(468,359)
Disposals	-	-	-	761	761
Impairment loss	(1,538,617)	-	-	-	(1,538,617)
At 31 December 2005	(2,660,317)	(3,733,314)	-	(136,871)	(6,530,502)
<u>NET BOOK VALUE</u>					
At 31 December 2005	5,724,547	4,610,362	-	49,474	10,384,383
At 1 January 2005	4,074,397	4,833,390	58,625	61,970	9,028,382

During the year, the construction of a new property was completed at a total cost of £3,388,617. In accordance with FRS 11, an impairment loss of £1,538,617 has been recognised, writing the carrying value down to its estimated net realisable value, which has been estimated as £1,850,000, being the current open market value. The net realisable value is supported by an independent professional valuation undertaken by Sanderson Weatherall Limited on 11 January 2006. The related grant income has been accelerated in the profit and loss account to match the write down of the asset in accordance with the company's accounting policy.

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

9. INVESTMENT IN SUBSIDIARY UNDERTAKING

	<u>£</u>
Cost and net book value at 1 January 2005 and 31 December 2005	<u>10,000</u>

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

	<u>Profit for the period ended 31 Dec 2005 £</u>	<u>Net Assets as at 31 Dec 2005 £</u>
UKSE Fund Managers Limited (wholly owned)	3,204	16,219
UKSE Fund Managers (General Partner) Limited (wholly owned by UKSE Fund Managers Limited)	-	1

10. INVESTMENTS

	<u>£</u>
At 2 January 2005	994,267
Additions	183,298
Disposals/repayments	(139,270)
Movements in provisions	(48,280)
At 31 December 2005	<u>990,015</u>
Number of companies at 31 December 2005	<u>48</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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

11. DEBTORS

	31 Dec 2005	1 Jan 2005 <i>restated</i>
	£	£
Amounts falling due after more than one year:		
Loans (note 1(f))	1,607,000	1,744,221
	<u>1,607,000</u>	<u>1,744,221</u>
Amounts falling due within one year:		
Loans (note 1(f))	1,294,853	1,275,880
Amounts owed by group undertakings	13,805,005	14,330,014
Prepayments and accrued income	87,222	84,590
Other debtors (including interest on loans (note 1(f)))	455,502	209,231
	<u>15,642,582</u>	<u>15,899,715</u>
	<u><u>17,249,582</u></u>	<u><u>17,643,936</u></u>

12. CREDITORS - Amounts falling due within one year

	31 Dec 2005	1 Jan 2005
	£	£
Trade creditors	64,866	99,555
Amounts owed to group undertakings	-	117,639
Other tax and social security	-	47,430
Deposits held	358,751	349,322
Other creditors	663,538	445,105
	<u>1,087,155</u>	<u>1,059,051</u>
	<u><u>1,087,155</u></u>	<u><u>1,059,051</u></u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

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

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
Amounts owed to group undertakings	<u>10,000,000</u>	<u>10,000,000</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**

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
Government, European Union and other capital grants At 2 January 2005	693,996	881,787
Receivable	2,080,000	-
Transfer to profit and loss account (note 2)	(80,190)	(187,791)
Transfer to profit and loss account upon impairment (note 2)	(1,538,617)	-
At 31 December 2005	<u>1,155,189</u>	<u>693,996</u>

15. **PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred Taxation

A deferred tax asset is not recognised in respect of tax losses of £3,416,505 (1 January 2005: £3,674,550) due to the uncertainty of utilisation.

16. **SHARE CAPITAL**

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
Authorised:		
Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>10,000,100</u>	<u>10,000,100</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

17. RESERVES

	Profit & Loss Account
	<u>£</u>
At 2 January 2005 as previously stated	7,008,338
Prior year adjustment (see note 1(g))	(104,771)
At 2 January 2005 as restated	6,903,567
Retained profit for the financial period	482,167
At 31 December 2005	<u>7,385,734</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
Profit for the financial period	482,167	1,113,100
Net increase in shareholders' funds	482,167	1,113,100
Opening shareholders' funds (originally £17,008,438 before deducting prior year adjustment of £104,771)	16,903,667	15,790,567
Closing shareholders' funds	<u>17,385,834</u>	<u>16,903,667</u>

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 pension costs to the Company for the period ended 31 December 2005 amounted to £Nil (1 January 2005: £Nil). 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 are accounted for as multi-employer under FRS17. Full disclosures are provided in the financial statements of Corus UK Limited.

Since 31 March 2003 UK Steel Enterprise Limited, along with other participating employers, was contributing 0% of pensionable salary into the scheme. With effect from 1 April 2006 these contributions increased to 10%.

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20. **CONTINGENT LIABILITIES AND COMMITMENTS**

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
(a) Loans and investments in share capital committed but not paid	<u>265,000</u>	<u>680,000</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	13,869	15,207
Motor vehicles, leases expiring within 2-5 years	56,410	57,862
	<u>70,279</u>	<u>73,069</u>
(c) Capital expenditure contracted but not provided for	<u>-</u>	<u>3,185,000</u>
(d) Third party loans guaranteed	<u>30,000</u>	<u>30,000</u>

21. **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 the period end are as shown below.

	31 Dec 2005	1 Jan 2005
	<u>£</u>	<u>£</u>
Yorkshire and Humberside Enterprise Fund	952,777	904,918
South Wales Technology and Enterprise Fund	172,154	416,044
North of England Venture Capital Fund	126,197	75,317
	<u>1,251,128</u>	<u>1,396,279</u>

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22. **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.