

UK STEEL ENTERPRISE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2006

Registered number 535960



UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 DECEMBER 2006

1 Financial Statements

The directors submit herewith the audited financial statements of the Company for the period ended 30 December 2006. 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 92%. Our new managed workspace at Hartlepool, which opened in December 2005 has put in a strong performance in its first year, with occupancy levels standing at 81% at the period end. During the period, the Company sold its property in Cwmdraw generating an exceptional profit of £522,578.

After a slow start to the period, lending and investment activity was buoyant in the final quarter ensuring that annual disbursements were at similar levels to recent years. The company benefited from a number of share realisations during the period.

During the current period, the majority of the funds management contracts undertaken by the Company's subsidiary companies have come to an end. Consequently there has been a significant reduction in the group management charges this period. It is anticipated that there will be very little income from management charges in the coming period.

The level of business and the period end financial position are considered to be satisfactory, and the directors expect that, other than the reduction in management charges referred to above, the present level of activity will be sustained for the foreseeable future.

4 Results and Dividends

The Company recorded a profit of £534,316 (31 December 2005 £90,290) 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 (31 December 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

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DIRECTORS' REPORT FOR THE PERIOD ENDED 30 DECEMBER 2006

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

	30 Dec 2006	31 Dec 2005
	<u>No. of new 50p shares</u>	<u>No. of old 10p shares</u>
Mr A J Johnston	3,606	18,036
Mr S R Green	11,805	50,569
Mr V J Smith	2,709	13,549
Lord Brookman	-	-
Mr A V L Williams	-	-
Mr C D Gardner	13,285	17,831
Mr M J Leahy	-	-

At the Corus Group plc AGM on 9 May 2006, shareholders approved the consolidation of Corus Group plc existing share capital. One new ordinary share of 50 pence was issued for every 5 existing ordinary shares of 10 pence. All share options were also adjusted accordingly.

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	Date of grant	Revised Option price	Pre consolidation		Exercised Number	Lapsed/ cancelled Number	30 Dec 2006		Exercise Period	
			31 Dec 2005 Number	Consolidation 1 for 5 Number			Number	Exercise From	To	
A J Johnston	1996	n/a	31 866	6 732	-	6 732	-	n/a		
	1997	592p	40 952	8 190			8 190	24 Jul 2000		24 Jul 2007
	1999	626p	96 915	19 383			19 383	30 Jun 2002		30 Jun 2009
			169 733	34 305		6 732	27,573			
S R Green	1997	592p	10 007	2 001		-	2,001	24 Jul 2000		24 Jul 2007
	1999	626p	20 013	4 002		-	4,002	30 Jun 2002		30 Jun 2009
	2000	583p	37 216	7 443	-	-	7 443	4 Feb 2003		4 Feb 2010
	2001	268p	55 876	11 175	-	-	11 175	28 Mar 2004		28 Mar 2011
			123 112	24 621	-	-	24 621			
C D Gardner	1996	n/a	9 348	1 869		1 869	-	n/a		
	1997	592p	13 957	2 790			2,790	24 Jul 2000		24 Jul 2007
	1999	626p	48 984	9 796			9 796	30 Jun 2002		30 Jun 2009
	2000	583p	60 618	12 123			12,123	4 Feb 2003		4 Feb 2010
	2001	268p	95 051	19 010	-	-	19 010	28 Mar 2004		28 Mar 2011
			227 958	45 588	-	1 869	43 719			

Sharesave option schemes

Ordinary shares	Date of grant	Revised Option price	Pre consolidation		Exercised Number	Lapsed/ cancelled Number	30 Dec 2006	
			31 Dec 2005 Number	Consolidation 1 for 5 Number			Number	Exercise Year
S R Green	2001	250p	23 378	4 675	4 675	-	2006	
	2005	195p	7 384	1 476	-	1 476	2009	
			30 762	6 151	4 675	1 476		
C D Gardner	2001	250p	23 378	4 675	4 675	-	2006	
	2004	212p	6 866	1 373	-	1,373	2008	
			30 244	6 048	4 675	-	1 373	

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DIRECTORS' REPORT FOR THE PERIOD ENDED 30 DECEMBER 2006

Corus Group plc operates a share-based, long term incentive arrangement for senior executives known as the Leveraged Equity Acquisition Plan ('LEAP' or 'The Plan'). Awards of shares to directors under the plan are based upon performance within Corus Group plc and not for any duties undertaken on behalf of the Company. Full details of the scheme are described in the remuneration report contained within the Corus Group plc Annual Report. The directors' interests in the ordinary shares of Corus Group plc under the LEAP are as shown below.

Conditional share awards

NO of ordinary shares	Award date	Cycle ending	Award held 31 Dec 2005	Consolidation 1 for 5	Granted in period	Potential		Vesting date
						Award held 30 Dec 2006	maximum award	
C D Gardner	11 May 2004	Dec 2006	72 805	14 561		14,561	58 244	April 2007
	18 May 2005	Dec 2007	45 035	9 007		9 007	36 028	March 2008
	8 Apr 2006	Dec 2008			7 496	7 496	29 984	March 2009
			117 840	23 568	7 496	31 064	124 256	

The market price of the Corus Group plc shares at 30 December 2006 was 530p and the range during the period was 295p to 537p.

8 Risk Management

The company's risk management policy is detailed in note 20 to the financial statements.

9 Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

UK STEEL ENTERPRISE LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 DECEMBER 2006**

10 **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
17 May 2007

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 30 December 2006 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

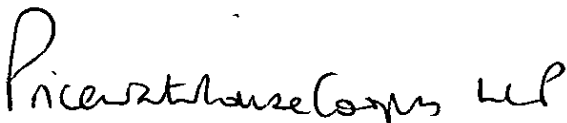
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 30 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield

23 May 2007

UK STEEL ENTERPRISE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 DECEMBER 2006**

	Notes	Period ended 30 Dec 2006 £	Period ended 31 Dec 2005 <i>restated</i> <i>(note 1(f))</i> £
Turnover	1(h)	2,661,585	2,483,707
Other operating income	2	900,698	2,854,019
Staff costs	5	(1,458,246)	(1,473,992)
Depreciation		(535,131)	(468,359)
Impairment loss		-	(1,538,617)
Other operating charges		(1,740,315)	(1,695,239)
Impairments of loans and receivables	10	(533,527)	(424,615)
Movement in fair values of equity investments	10	151,372	(165,536)
Operating loss	3	(553,564)	(428,632)
Profit on disposal of fixed assets		522,578	-
Other interest receivable and similar income	4	565,302	518,922
Profit on ordinary activities before taxation		534,316	90,290
Taxation	6	-	-
Profit on ordinary activities after taxation	17	534,316	90,290

All items dealt with above relate to continuing operations

UK STEEL ENTERPRISE LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 30 DECEMBER 2006**

	Period ended 30 Dec 2006	Period ended 31 Dec 2005 <i>restated</i>
	£	£
Total recognised gains and losses relating to the period	534,316	90,290
Prior year adjustment (as explained in note 1(f))	770,607	
Total recognised gains and losses since last annual report	1,304,923	

UK STEEL ENTERPRISE LIMITED

**BALANCE SHEET
AS AT 30 DECEMBER 2006**

	Notes	30 Dec 2006 £	31 Dec 2005 <i>restated</i> (note 1(f)) £
FIXED ASSETS			
Tangible assets	8	9,890,268	10,384,383
Financial assets			
- Unquoted equity investments	10	938,132	1,155,029
- Loans and receivables	10	3,076,891	3,507,446
Investment in subsidiary undertaking	9	10,000	10,000
		<u>13,915,291</u>	<u>15,056,858</u>
CURRENT ASSETS			
Debtors	11	15,716,783	14,347,729
Cash at bank and in hand		1,164,474	994,198
		<u>16,881,257</u>	<u>15,341,927</u>
CREDITORS amounts falling due within 1 year	12	(1,020,942)	(1,087,155)
NET CURRENT ASSETS		<u>15,860,315</u>	<u>14,254,772</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,775,606</u>	<u>29,311,630</u>
CREDITORS amounts falling due after more than 1 year	13	(10,000,000)	(10,000,000)
ACCRUALS AND DEFERRED INCOME	14	(1,084,849)	(1,155,189)
		<u>18,690,757</u>	<u>18,156,441</u>
CAPITAL AND RESERVES			
Called up share capital	16	10,000,100	10,000,100
Profit and loss account	17	8,690,657	8,156,341
EQUITY SHAREHOLDERS' FUNDS	18	<u>18,690,757</u>	<u>18,156,441</u>

The financial statements on pages 7 to 20 were approved by the board of directors on 17 May 2007 and were signed on its behalf by -



S R Green
Director

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

1 STATEMENT OF ACCOUNTING POLICIES

A summary of the more important accounting policies which, other than in respect of financial assets (see note (f) 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, as modified by the revaluation of certain investments and financial instruments 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 1 January 2006 to 30 December 2006

(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

(f) Financial Assets

In accordance with FRS 26 "Financial Instruments recognition and measurement" all equity investments are designated to be assets at fair value through the profit and loss account and subsequently carried in the balance sheet at fair value. Investments in fixed income preference shares and loans are classified as loans and receivables and are subsequently carried at amortised cost less impairment. All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis. Investments in subsidiaries are accounted for at cost less any provision for impairment.

Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the future cash flows through the expected life of the financial asset to that asset's carrying value. Dividends from equity investments are recognised when they are received.

The adoption of FRS 26 represents a change of accounting policy. Previously, equity investments and investments in preference shares were valued at the lower of cost and net realisable value based upon an overall review of the portfolio and loans were valued at cost less a provision on the overall portfolio. Equity investments along with preference share investments were classified as current asset investments whilst loans were classified as current debtors.

As a result of this change in accounting policy a prior year adjustment has been processed increasing the carrying values of these assets by £770,607 thus increasing the profit and loss reserves by this amount. The change has also had the impact of reducing the prior year profit by £391,877.

(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.

(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) 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.

(j) 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.

(k) 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.

(l) 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.

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

2 OTHER OPERATING INCOME

	Period ended 30 Dec 2006	Period ended 31 Dec 2005 <i>restated</i>
	<u>£</u>	<u>£</u>
Dividends received from equity investments	65,875	76,786
Income from loans and receivables	280,688	321,249
Software license fees	1,024	-
Monitoring and arrangement fees	10,600	-
Group management charges	472,171	837,177
Amortisation of grant income (note 14)	70,340	1,618,807
	<u>900,698</u>	<u>2,854,019</u>

3 OPERATING LOSS

	Period ended 30 Dec 2006	Period ended 31 Dec 2005
	<u>£</u>	<u>£</u>
Operating loss is stated after charging		
Depreciation of tangible fixed assets		
- owned assets	535,131	468,359
Auditors' remuneration for		
- audit	10,600	10,600
- other services	6,700	7,800
Hire of machinery and equipment - operating leases	64,169	71,653
Loss on disposals of fixed assets	-	411
Redundancy costs	18,063	123,000
Impairment loss	-	1,538,617
	<u> </u>	<u> </u>

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 30 Dec 2006	Period ended 31 Dec 2005
	<u>£</u>	<u>£</u>
Group interest	532,074	488,635
Bank interest	32,965	30,124
Other interest	263	163
	<u>565,302</u>	<u>518,922</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

5 EMPLOYEE INFORMATION

	Period ended 30 Dec 2006	Period ended 31 Dec 2005
	<u>£</u>	<u>£</u>
Wages and salaries	1,256,880	1,344,711
Social security costs	124,604	129,281
Other pension costs	76,762	-
	<u>1,458,246</u>	<u>1,473,992</u>

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

	Period ended 30 Dec 2006	Period ended 31 Dec 2005
	<u>Number</u>	<u>Number</u>
Administration	31	36

6 TAXATION

	Period ended 30 Dec 2006	Period ended 31 Dec 2005 <i>restated</i>
	<u>£</u>	<u>£</u>
Current tax	-	-

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

Profit on ordinary activities before tax	534,316	90,290
Profit on ordinary activities multiplied by standard rate in the UK 30% (31 Dec 2005 30%)	160,295	27,087
Temporary timing differences between taxable and accounting profit		
Accelerated capital allowances	61,823	43,075
Other timing differences	(20,643)	117,564
Losses brought forward and utilised	(133,269)	(158,339)
Permanent differences	(68,206)	(29,387)
	<u>-</u>	<u>-</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

7 DIRECTORS' EMOLUMENTS

During the period 2 (31 December 2005 - 1) directors exercised options over 50p shares in Corus Group plc

	Period ended 30 Dec 2006	Period ended 31 Dec 2005
	<u>£</u>	<u>£</u>
Aggregate emoluments	137,355	128,979

Retirement benefits are accruing to 1 (31 December 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.

8 TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Equipment	Total
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>COST</u>				
At 1 January 2006	8,384,864	8,343,676	186,345	16,914,885
Additions	13,796	18,901	43,319	76,016
Disposals	-	(35,000)	(2,178)	(37,178)
At 30 December 2006	8,398,660	8,327,577	227,486	16,953,723
<u>DEPRECIATION</u>				
At 1 January 2006	(2,660,317)	(3,733,314)	(136,871)	(6,530,502)
Charge for period	(274,402)	(232,247)	(28,482)	(535,131)
Disposals	-	-	2,178	2,178
At 30 December 2006	(2,934,719)	(3,965,561)	(163,175)	(7,063,455)
<u>NET BOOK VALUE</u>				
At 30 December 2006	5,463,941	4,362,016	64,311	9,890,268
At 31 December 2005	5,724,547	4,610,362	49,474	10,384,383

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

9 INVESTMENT IN SUBSIDIARY UNDERTAKING

	<u>£</u>
Cost and net book value at 31 December 2005 and 30 December 2006	<u><u>10,000</u></u>

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

	<u>Profit for the period ended 30 Dec 2006 £</u>	<u>Net Assets as at 30 Dec 2006 £</u>
UKSE Fund Managers Limited (wholly owned)	1,819	18,038
UKSE Fund Managers (General Partner) Limited (wholly owned by UKSE Fund Managers Limited)	-	1

10 FINANCIAL ASSETS

	<u>Unquoted equity investments £</u>	<u>Loans and receivables £</u>	<u>Total £</u>
At 1 January 2006	1,155,029	3,507,446	4,662,475
Additions	364,535	2,003,596	2,368,131
Disposals, repayments and recoveries	(732,804)	(1,900,624)	(2,633,428)
Revaluations of equity investments	151,372	-	151,372
Impairment of loans and receivables	-	(533,527)	(533,527)
At 30 December 2006	<u>938,132</u>	<u>3,076,891</u>	<u>4,015,023</u>

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.

11 DEBTORS

	<u>30 Dec 2006 £</u>	<u>31 Dec 2005 restated £</u>
Amounts owed by group undertakings	15,576,986	13,805,005
Prepayments and accrued income	88,388	87,222
Other debtors	51,409	455,502
	<u>15,716,783</u>	<u>14,347,729</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

12 CREDITORS - Amounts falling due within one year

	30 Dec 2006	31 Dec 2005
	<u>£</u>	<u>£</u>
Trade creditors	94,289	64,866
Amounts owed to group undertakings	1	-
Other tax and social security	58,975	-
Deposits held	386,575	358,751
Other creditors	481,102	663,538
	<u>1,020,942</u>	<u>1,087,155</u>

13 CREDITORS - amounts falling due after more than one year

	30 Dec 2006	31 Dec 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

	30 Dec 2006	31 Dec 2005
	<u>£</u>	<u>£</u>
Government, European Union and other capital grants		
Opening deferred income	1,155,189	693,996
Receivable	-	2,080,000
Transfer to profit and loss account (note 2)	(70,340)	(80,190)
Transfer to profit and loss account upon impairment (note 2)	-	(1,538,617)
	<u>1,084,849</u>	<u>1,155,189</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 DECEMBER 2006

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(i)

	Accelerated tax depreciation	Pension	Other	Total
	£	£	£	£
2006				
At beginning of period	262,613	(31,431)	(231,182)	-
(Charge)/credit to profit and loss account	(10,788)	31,431	(20,643)	-
	251,825	-	(251,825)	-
2005				
At beginning of period	380,176	(31,431)	(348,745)	-
(Charge)/credit to profit and loss account	(117,563)	-	117,563	-
	262,613	(31,431)	(231,182)	-

A deferred tax asset is not recognised in respect accelerated capital allowances of £343,007 (31 December 2005 £95,153) and tax losses of £3,452,942 (31 December 2005 £3,416,505) due to the uncertainty of utilisation

16 SHARE CAPITAL

	30 Dec 2006	31 Dec 2005
	£	£
Authorised Ordinary shares of £1 each	12,000,000	12,000,000
Allotted, called up and fully paid Ordinary shares of £1 each	10,000,100	10,000,100

17 RESERVES

	Profit & Loss Account
	£
At 1 January 2006 as previously stated	7,385,734
Prior year adjustment (see note 1(f))	770,607
At 1 January 2006 as restated	8,156,341
Retained profit for the financial period	534,316
At 30 December 2006	8,690,657

UK STEEL ENTERPRISE LIMITED

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18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Dec 2006	31 Dec 2005 <i>restated</i>
	<u>£</u>	<u>£</u>
Profit for the financial period	534,316	90,290
Net increase in shareholders' funds	534,316	90,290
Opening shareholders' funds (originally £17,385,834 before adding prior year adjustment of £770,607)	18,156,441	18,066,151
Closing shareholders' funds	<u>18,690,757</u>	<u>18,156,441</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 30 December 2006 amounted to £76,762 (31 December 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%.

20 FINANCIAL RISK MANAGEMENT

Credit risk The Company's financial assets are predominantly unsecured investments in unquoted small and medium sized companies, in which the Directors consider the maximum credit risk to be the carrying value of the asset. The portfolio is well diversified and so the credit risk is managed on an individual asset basis.

Liquidity risk During the financial period the Company generated a cash surplus before administration costs of £622k (2005 £323k) from its investing activities and at the end of the period it had resources, via a facility with its parent company, of £16m (2005 £14m). The Directors' currently view liquidity risk as low.

Price risk The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Company does not hedge the market risk inherent in the portfolio but manages asset performance on an asset specific basis.

Currency risk The Company invests in UK based companies and deals solely in sterling. Consequently there is no currency risk.

Interest rate risk The Company invests almost entirely in fixed rate assets being funded solely from shareholders' funds. The Company does not actively manage its interest rate risk.

UK STEEL ENTERPRISE LIMITED

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All loans and receivables held by the Company earn fixed interest rates and are being serviced by regular periodic interest and capital payments. The table below provides a breakdown of these assets by interest rate and the year in which in the final repayment is scheduled to be made

At 30 Dec 2006							
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years	Total
Interest rate	£'000	£'000	£'000	£'000	£'000	£'000	£'000
7.25%	8	-	-	-	-	-	8
7.50%	148	324	715	74	427	-	1,688
8.00%	156	347	240	216	170	-	1,129
8.50%	47	15	-	82	-	-	144
10.00%	-	10	-	-	-	-	10
16.00%	-	-	98	-	-	-	98
	359	696	1,053	372	597	-	3,077

At 31 Dec 2005 (restated)							
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years	Total
Interest rate	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6.25%	13	-	-	-	-	-	13
7.25%	-	22	-	-	-	-	22
7.50%	157	378	738	523	-	-	1,796
8.00%	45	372	486	127	144	202	1,376
8.50%	4	136	24	-	-	-	164
10.00%	-	36	100	-	-	-	136
	219	944	1,348	650	144	202	3,507

21 CONTINGENT LIABILITIES AND COMMITMENTS

	30 Dec 2006	31 Dec 2005
	£	£
(a) Loans and investments in share capital committed but not paid	435,000	265,000
(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	8,981	13,869
Motor vehicles, leases expiring within 2-5 years	48,372	56,410
	57,353	70,279
(c) Third party loans guaranteed	30,000	30,000

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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 the period end are as shown below

	30 Dec 2006	31 Dec 2005
	<u>£</u>	<u>£</u>
Yorkshire and Humberside Enterprise Fund	977,696	952,777
South Wales Technology and Enterprise Fund	280,906	172,154
North of England Venture Capital Fund	256,410	126,197
	<u>1,515,012</u>	<u>1,251,128</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.

24 POST BALANCE SHEET EVENTS

On 31 January 2007, the board of Corus Group plc recommended the acquisition by Tata Steel of the entire issued and to be issued share capital of Corus Group, at a price of 608 pence in cash per share. This was to be implemented by means of a scheme of arrangement under section 425 of the UK Companies Act 1985 and shareholders voted to approve this scheme at an Extraordinary General Meeting and court meeting held on 7 March 2007. Trading in Corus' shares was subsequently suspended on each of the London, New York and Amsterdam Stock Exchanges on 29 March, with the scheme becoming wholly effective on 2 April 2007.