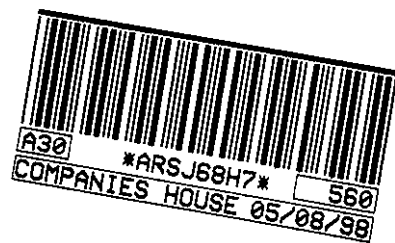


BRITISH STEEL (INDUSTRY) LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 MARCH 1998

Registered number: 535960



BRITISH STEEL (INDUSTRY) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 28 MARCH 1998

1. The directors submit herewith the audited financial statements of the company for the year ended 28 March 1998. 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) and premises 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**

The Company recorded a small operating surplus before fixed asset disposals. The loss of revenue associated with the sale of Clyde Workshops was more than compensated for by the significant dividend income and premiums on sale of portfolio investments.

Grant income in respect of investment activities within the Yorkshire and Humberside area, given under European Regional Development Funding, has been credited to the profit and loss account.

Capital Investment programmes have progressed significantly during the year. The Innovation Centre in Sheffield is now near completion and the refurbishment of our existing Cardiff workshops should be completed by the end of 1998.

4. **Results and Dividends**

The company made a profit of £830,130 after tax as set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (1997: £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:

Dr D Grieves
Mr D K Brookman
Mr W J Cain
Mr V J Smith
Mr A J Johnston.

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

The beneficial interest of the directors in the ordinary shares of British Steel plc at the end of the financial year and movements in their share options held under the British Steel Executive Share Option Scheme and the British Steel Sharesave Scheme were as follows.

	<u>Shares</u>		<u>Outstanding at 30 Mar 1997</u>	<u>Options</u>		<u>Outstanding at 28 Mar 1998</u>
	<u>1998</u>	<u>1997</u>		<u>Granted</u>	<u>Exercised</u>	
D Grieves	48,000	48,000	0	0	0	0
W Cain	0	0	103,950	36,028	0	139,978
V Smith	2,215	2,215	46,975	17,751	12,200	52,526
D Brookman	0	0	0	0	0	0
A Johnston	2,241	2,241	103,950	46,365	0	135,050

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 28 March 1998. 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. **Year 2000 issue**

With regard to the Year 2000 issue, the company has reviewed and tested all of its computer systems and established that all such systems used by the company are Year 2000 compliant.

10. **Auditors**

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

By Order of the Board



S A Williamson
Secretary

The Innovation Centre
217 Portobello
Sheffield S1 4DP
21st July 1998

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

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 3 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.

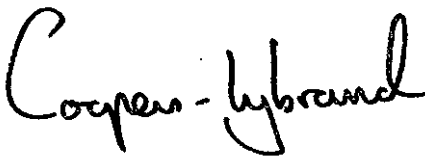
Basis of Opinion

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 evaluate 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 28 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
SHEFFIELD

28 July 1998

BRITISH STEEL (INDUSTRY) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28 MARCH 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
Turnover - continuing operations	1(j)		
• Licence fees for workshops		895,024	1,089,773
• Other		120,618	165,440
		1,015,642	1,255,213
Operating profit (loss) - continuing operations	2	52,316	(260,760)
Profit on the sale of fixed assets		638,996	117,119
		691,312	(143,641)
Profit (loss) on ordinary activities before taxation			
Taxation on profit on ordinary activities	3	138,818	248,023
		830,130	104,382
Profit (loss) for the financial year after taxation		830,130	104,382
STATEMENT OF RETAINED PROFITS			
Retained profits at 30 March 1997		4,546,628	4,442,246
Profit(Loss) for the financial year as above		830,130	104,382
Transfer from revaluation reserve		244,590	-
		5,621,348	4,546,628
Retained profits at 28 March 1998		5,621,348	4,546,628

There are no recognised gains or losses other than shown above during the year.

BRITISH STEEL (INDUSTRY) LIMITED

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 28 MARCH 1998**

	<u>1998</u> £	<u>1997</u> £
Reported profit (loss) on ordinary activities before taxation	691,312	(143,641)
Realisation of property revaluation gains of previous years	244,590	-
Historical cost profit (loss) on ordinary activities before taxation	<u>935,902</u>	<u>(143,641)</u>
Historical cost profit for the year after taxation	<u>1,074,720</u>	<u>104,382</u>

BRITISH STEEL (INDUSTRY) LIMITED

BALANCE SHEET AS AT 28 MARCH 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible assets	6	<u>7,851,860</u>	<u>5,162,900</u>
INVESTMENTS			
	7	786,265	721,033
CURRENT ASSETS			
Debtors:			
amounts falling due after more than 1 year	8	1,028,569	817,639
amounts falling due within 1 year	8	9,094,002	10,143,848
Cash at bank in hand		53,158	2,342
		<u>10,961,994</u>	<u>11,684,862</u>
CREDITORS - Amounts falling due within one year	9	<u>(424,317)</u>	<u>(503,688)</u>
NET CURRENT ASSETS		<u>10,537,677</u>	<u>11,181,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,389,537</u>	<u>16,344,074</u>
ACCRUALS AND DEFERRED INCOME	10	(1,600,275)	(364,942)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(130,000)	(150,000)
		<u>16,659,262</u>	<u>15,829,132</u>
CAPITAL RESERVES			
Called up share capital	12	10,000,100	10,000,100
Profit and loss account		5,621,348	4,546,628
Revaluation reserve	13	1,037,814	1,282,404
EQUITY SHAREHOLDER'S FUNDS	14	<u>16,659,262</u>	<u>15,829,132</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 21st July 1998 and were signed on its behalf by:-


V J Smith
Director

BRITISH STEEL (INDUSTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 March 1998

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 30 March 1997 to 28 March 1998.

(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 principle annual rates used for this purpose are:

	%
Freehold land	-
Freehold buildings	4
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) **ERDF Funding grant**

The company has entered into an arrangement with Yorkshire Enterprise Limited whereby for investments in Yorkshire and Humberside grants of up to 30% of the investment are receivable from the ERDF.

Monies received from the ERDF are credited to deferred income and released to profit and loss over the life of the scheme which ends at 31 December 1998. Under the terms of the scheme 30% of the income from these investments is to be "ringfenced" for similar future investments and the funds are to be reinvested on a similar basis until the fund is decapitalised. The amounts set aside under this arrangement are disclosed within retained profits in note 17.

(g) **Debtor**

Debtors include amounts loaned (normally for a period 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 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.

(h) **Provisions**

Included in the 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.

(i) **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 the employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

(j) **Turnover**

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

(k) **Investments**

Investments are valued at the lower of cost and estimated net realisable value. Predominantly investments represent holdings of preference shares issued by 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.

(l) **Deferred Taxation**

Deferred taxation is accounted for, using the liability method, in respect of 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.

(m) **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.

(n) **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 presents a consolidated cash flow statement in its financial statements in accordance with Financial Reporting Standard Number 1.

(o) **Related Party Transactions**

In accordance with the exception allowed by FRS8 "Related Party Transactions" transactions with British Steel plc and fellow subsidiary undertakings are not disclosed.

2. OPERATING PROFIT (LOSS) IS MADE UP AS FOLLOWS:-

	<u>1998</u>	<u>1997</u>
	£	£
Turnover		
• Licence fees for workshops	895,024	1,089,773
• Other	120,618	165,440
Other operating income		
Share dividends and interest receivable on loans	558,591	490,835
Profit on redemption of shares	405,760	390,214
Interest receivable from British Steel	523,417	445,353
ERDF grant income (note 10)	235,178	-
Other income	892	11,760
	<u>2,739,480</u>	<u>2,593,375</u>
Staff costs		
Wages and salaries	(867,634)	(945,074)
Social security costs	(69,951)	(78,811)
Other pension costs (note 15)	(36,728)	(43,716)
Redundancy Costs	(31,577)	-
Depreciation	(193,157)	(195,423)
Grant release	85,985	30,636
Auditors' remuneration - audit	(12,000)	(11,500)
- other services	(1,750)	-
Profit (Loss) on sale of tangible fixed assets	10,470	(3,098)
Operating lease rentals - land and buildings	(70,678)	(75,920)
Other operating charges including provision for doubtful debts and write down of investments	(1,500,144)	(1,531,229)
	<u>52,316</u>	<u>(260,760)</u>

The whole of the operating profit (loss) relates to continuing operations.

3. **TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES**

The taxation credit comprises:

	<u>1998</u> £	<u>1997</u> £
Group relief receivable	213,601	310,000
Taxation attributable to franked investment income	(73,643)	(90,107)
Adjustments in respect of prior years:		
Group relief received	(1,140)	28,130
	<u>138,818</u>	<u>248,023</u>

4. **DIRECTORS' EMOLUMENTS**

	<u>1998</u> £	<u>1997</u> £
Aggregate emoluments	<u>127,804</u>	<u>129,689</u>

One director exercised share options in the year as declared in note 7 to the report of the Directors.

5. **EMPLOYEES**

An analysis of employments 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 32 (1997: 36).

The staff are employees of British Steel.

6. **TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings	Assets under construction	Motor Vehicles	Total
	£	£	£	£
<u>COST OR VALUATION</u>				
At 30 March 1997	5,069,692	449,669	277,165	5,796,526
Additions	33,980	3,405,797	141,408	3,581,185
Capital grant	-	(47,218)	-	(47,218)
Transfer on completion	65,992	(65,992)	-	-
Group transfers	(763,113)	-	-	(763,113)
Disposals	-	-	(134,489)	(134,489)
At 28 March 1998	<u>4,406,551</u>	<u>3,742,256</u>	<u>284,084</u>	<u>8,432,891</u>
<u>DEPRECIATION</u>				
At 30 March 1997	(495,225)	-	(138,401)	(633,626)
Charge for year	(121,501)	-	(71,656)	(193,157)
Group transfers	142,243	-	-	142,243
Disposals	-	-	103,509	103,509
At 28 March 1998	<u>(474,483)</u>	<u>-</u>	<u>(106,548)</u>	<u>(581,031)</u>
<u>NET BOOK VALUE</u>				
At 28 March 1998	<u>3,932,068</u>	<u>3,742,256</u>	<u>177,536</u>	<u>7,851,860</u>
At 30 March 1997	<u>4,574,467</u>	<u>449,669</u>	<u>138,764</u>	<u>5,162,900</u>
<u>COST/VALUATION</u>				
Valuation (see (a) below)	1,921,766	-	-	1,921,766
Cost	2,484,785	3,742,256	284,084	6,511,125
	<u>4,406,551</u>	<u>3,742,256</u>	<u>284,084</u>	<u>8,432,891</u>

- (a) Certain freehold 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 Raine. A directors valuation was carried out on certain properties at 1 April 1995 and a diminution in value was identified which was adjusted as appropriate. The directors have reviewed the carrying values at 28 March 1998 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>1998</u>	<u>1997</u>
	£	£
Historical cost	3,981,304	4,399,855
Depreciation based on cost	(1,110,930)	(1,149,899)
Historical cost net book value at 28 March 1998	<u>2,870,374</u>	<u>3,249,956</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.

<i>COMPANY</i>	<i>DESCRIPTION OF SHARES HELD</i>		<i>PROPORTION OF NOMINAL VALUE OF CLASS</i>	<i>PERCENTAGE OF ORDINARY SHARES HELD</i>
* Advanced Outlook Ltd	25,000	Prefs	100.0%	
* Anotek Ltd	45,000	Prefs	100.0%	
	30,000	Pref ords	100.0%	12.0%
APT Electronics Ltd	15,000	Ords	30.0%	30.0%
* Associated Metal (Stainless) Ltd	7,500	Pref ords	100.0%	15.0%
	26,667	Prefs	100.0%	
Bastion Security (North) Ltd	25,000	Pref ords	100.0%	5.6%
Blastpride (Holdings) Ltd	7,059	Pref ords	100.0%	15.0%
Bolton Surgical Ltd	25,000	Pref ords	100.0%	20.0%
Buffalo Systems Ltd	25,000	Pref ords	100.0%	14.3%
* CV Labels Ltd	7,500	Pref ords	100.0%	20.0%
	42,500	Prefs	100.0%	
* Calman Technology Ltd	16,000	Prefs	100.0%	
	9,000	Pref ords	100.0%	13.7%
	2,850	Ords	5.0%	4.3%
* Clyde Ventilation Systems Ltd	3,750	Pref ords	100.0%	20.0%
	26,250	Prefs	100.0%	
Computerised Training Services Ltd	2,084	Pref ords	100.0%	29.0%
	31,111	Prefs	100.0%	
* Coubrough & McKeracher Ltd	15,000	Pref ords	100.0%	20.0%
	29,000	Prefs	100.0%	
Digitrol Ltd	12,706	Pref ords	100.0%	15.0%
* EMIS (UK) Ltd	57,352	Prefs	100.0%	
	17,648	Pref ords	100.0%	15.0%
* E P Young (Manufacturing) Ltd	13,171	Pref ords	100.0%	18.0%
Flex-ability Ltd	34,136	Pref ords	100.0%	24.9%
	30,000	Prefs	100.0%	
* G T Martin & Sons Ltd	41,666	Prefs	100.0%	
	45,833	Prefs	100.0%	
	29,167	Pref ords	100.0%	11.5%
Gorno's Speciality Foods Ltd	6,250	Pref ords	100.0%	20.0%
I T Installations Ltd	2,251	Pref ords	100.0%	20.0%
Intelligent Database Marketing Ltd	28,760	Prefs	26.4%	
	3,846	Pref ords	20.0%	4.4%
* J & JR Ltd	25,000	Prefs	100.0%	
* Lamberton Enterprises Ltd	25,000	Pref ords	100.0%	20.0%
	25,000	Prefs	100.0%	
* Lindon Engineering International Ltd	18,723	Pref ords	33.3%	13.5%
	56,277	Prefs	33.3%	
Lucassen Young (Holdings) Ltd	80,000	Pref ords	100.0%	20.0%
Maxim Technology Ltd	12,500	Pref ords	100.0%	17.5%
Mechan Ltd	10,723	Pref ords	100.0%	12.5%
Palpak Western Ltd	1,500	Pref ords	100.0%	15.0%
	18,500	Prefs	100.0%	
* Pierceton Engineering Ltd	30,250	Prefs	100.0%	
	9,750	Pref ords	100.0%	7.5%
Pipe Equipment Specialists Ltd	4,284	Pref ords	100.0%	10.0%
Porter Plant Ltd	60,000	Prefs	100.0%	
	56	Pref ords	100.0%	7.5%
Precision Cast Components Ltd	5,824	Pref ords	100.0%	15.0%
	25,000	Prefs	100.0%	
* Scotplast Ltd	15,000	Pref ords	100.0%	18.7%
	25,000	Prefs	100.0%	
Speedome Limited	57,350	Prefs	75.1%	
	4,000	Pref ords	73.5%	10.0%
Waterstone Glassware Ltd	90,278	Ords	100.0%	5.0%
Whiteley Read Ltd	43,500	Prefs	100.0%	
	33,200	Pref ords	100.0%	17.4%

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 or part realised holdings in the following companies, Underwood Meat Co Ltd, Hunter Engineering Ltd and Intelligent Database Marketing Limited.

8.	<u>DEBTORS</u>	<u>1998</u>	<u>1997</u>
		£	£
	Amounts falling due after more than one year		
	Loans (note 1(g))	954,448	743,518
	Prepayments (note 15)	74,121	74,121
		<u>1,028,569</u>	<u>817,639</u>
	Amounts falling due within one year		
	Loans (note 1(g))	865,000	742,966
	Amounts owed by group undertakings	7,655,503	8,928,100
	Group relief receivable	214,571	310,000
	Prepayments (note 15)	68,765	51,417
	Other debtors (including interest on loans (note 1 (g)))	290,163	111,365
		<u>9,094,002</u>	<u>10,143,848</u>
		<u><u>10,122,571</u></u>	<u><u>10,961,487</u></u>
9.	<u>CREDITORS - Amounts falling due within one year</u>		
		<u>1998</u>	<u>1997</u>
		£	£
	Bank: unpresented cheques	29,876	44,989
	Trade creditors	69,770	65,321
	Amounts owed to group undertakings	-	2,132
	Deposits held	144,791	176,803
	Other creditors	179,880	214,443
		<u>424,317</u>	<u>503,688</u>
10.	<u>ACCRUALS AND DEFERRED INCOME</u>		
		<u>1998</u>	<u>1997</u>
		£	£
	Regional Development and other capital grants		
	At 30 March 1997	364,942	395,578
	Additions	1,368,536	-
	Transfer to profit and loss account (note 2)	(85,985)	(30,636)
	Transfer to fixed assets (note 6)	(47,218)	-
		<u>1,600,275</u>	<u>364,942</u>
	ERDF grants credited to the profit and loss account (note 2)		
	Welsh Office SME Monitoring and Support	25,713	-
	Yorkshire and Humberside Enterprise Fund	209,465	-
		<u>235,178</u>	<u>-</u>

11. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>1998</u> £	<u>1997</u> £
Other provisions (see (a) below)	<u>130,000</u>	<u>150,000</u>
(a) Other Provisions		
		Enterprise Agencies and Trusts
		£
At 30 March 1997		150,000
Expenditure during year		(93,910)
Charge to profit and loss account		73,910
At 28 March 1998		<u><u>130,000</u></u>

(b) Deferred Taxation

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

	Amount provided		Amount unprovided	
	<u>1998</u> £	<u>1997</u> £	<u>1998</u> £	<u>1997</u> £
Short term timing differences	24,707	24,707	-	-
Potential liabilities on surplus on revaluation of properties and accelerated capital allowances	-	-	445,094	462,649
Excess management expenses	<u>(24,707)</u>	<u>(24,707)</u>	<u>(445,094)</u>	<u>(462,649)</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

12. **SHARE CAPITAL**

	<u>1998</u> £	<u>1997</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>

13. **REVALUATION RESERVE**

	£
At 30 March 1997	1,282,404
Realised gain on fixed asset disposals	(244,590)
	<hr/>
At 28 March 1998	1,037,814
	<hr/> <hr/>

14. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS**

	<u>1998</u>	<u>1997</u>
	£	£
Opening shareholders' funds	<u>15,829,132</u>	<u>15,724,750</u>
Profit for the financial year	830,130	104,382
	<hr/>	<hr/>
Net increase to shareholders' funds	830,130	104,382
	<hr/>	<hr/>
Closing shareholders' funds	<u>16,659,262</u>	<u>15,829,132</u>
	<hr/> <hr/>	<hr/> <hr/>

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 1996. Particulars of the valuation are contained in the financial statements of British Steel. The pension costs to the company for the year ended 28 March 1998, which are based on contributions to the whole group scheme, amounted to £36,728 (1997: £43,716). A prepayment of £79,700 (1997: £79,700) is included in debtors, of which £74,121 (1997: £74,121) 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>1998</u> £	<u>1997</u> £
(a) Loans and investments in share capital committed but not paid	<u>1,125,000</u>	<u>1,097,610</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	11,225	7,000
Two to five years	<u>11,160</u>	<u>10,000</u>
	<u>22,385</u>	<u>17,000</u>
(c) Capital expenditure		
Capital expenditure contracted but not provided for	<u>1,056,000</u>	<u>2,894,000</u>

17. **RETAINED PROFITS**

Within retained profits of £5,621,348 is an amount of £63,658 which represents 30% of the income received from the ERDF grant assisted investments. In accordance with the conditions of this scheme (note 1f) this amount has been ringfenced for reinvestment on a similar basis.

18. **ULTIMATE HOLDING COMPANY**

The company is a subsidiary of British Steel plc, 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, 15 Marylebone Road, London, NW1 5JD.