

**UK STEEL ENTERPRISE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 29 DECEMBER 2001**

**Registered number: 535960**



# UK STEEL ENTERPRISE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 29 DECEMBER 2001

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### 1. Financial Statements

The directors submit herewith the audited financial statements of the Company for the year ended 29 December 2001. 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 despite the loss of a major tenant towards the end of last year and the disposal of our Port Talbot property in October. The sale of Port Talbot resulted in a profit on disposal of £124,433. Our new managed workspace at Kirkleatham, Redcar was 100% let at the close of the year.

The Company experienced an increase in investment income following several consecutive years of increased lending activity. Several capital gains in respect of investment sales are included within the results.

The Company benefited from grants received from the European Regional Development Fund.

On 6<sup>th</sup> April 2001 the Company formed a new wholly owned subsidiary to provide fund management services to third parties. No such contracts commenced in the year.

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 loss of £69,692 (2000: loss of £358,690) after tax 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 (2000: £nil).

### 5. Fixed Assets

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

# UK STEEL ENTERPRISE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 29 DECEMBER 2001

### 6. Directors

The following directors all served throughout the year :

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

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

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

	<u>2001</u>	<u>2000</u>
A J Johnston	2,682	2,241
S R Green	23,740	23,299
V J Smith	9,465	9,465
Lord Brookman	-	-
A V L Williams	22,000	22,000
C D Gardner	441	-

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

	Outstanding at 30 Dec 2000	Granted	Lapsed / cancelled	Outstanding at 29 Dec 2001	Weighted average exercise price	Exercise period	
	Number	Number	Number	Number		From	To
<b><u>Executive schemes</u></b>							
A J Johnston	386,403	397,800		784,203	89.0p	1997	2011
S R Green	65,221	54,200		119,421	92.4p	2000	2011
V J Smith	45,854			45,854	129.2p	1998	2007
C D Gardner	138,501	92,200		230,701	97.3p	1998	2011
<b><u>Sharesave schemes</u></b>							
A J Johnston	19,498	22,674	19,498	22,674	51.5p	2006	2006
S R Green	14,818	22,674	14,818	22,674	51.5p	2006	2006
V J Smith	7,850		3,442	4,408	88.5p	2003	2003
C D Gardner	11,020	22,674	11,020	22,674	51.5p	2006	2006

The Executive share options granted in the year have an exercise price of 55.3p, being the average of the market price for the three days preceding the date of the grant, and are exercisable between 2004 and 2011.

The Sharesave options granted in the year have an exercise price of 51.5p (market price at the date of the grant was 79p) and are exercisable in 2006.

The market price of the Corus Group shares at 29 December 2001 was 74p and the range during the year was 40p to 82.75p. Options outstanding are exercisable between 51.5p and 137.79p.

# UK STEEL ENTERPRISE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 29 DECEMBER 2001

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### 8. Directors' Responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the period ended 29 December 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

### 9. Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By Order of the Board



S A Williamson  
Secretary  
15 May 2002

The Innovation Centre  
217 Portobello  
Sheffield S1 4DP

## INDEPENDENT AUDITORS REPORT

### TO THE MEMBERS OF UK STEEL ENTERPRISE LTD

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

#### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

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

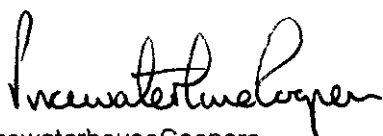
#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Sheffield

16 May 2002

# UK STEEL ENTERPRISE LTD

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 29 DECEMBER 2001

		2001	9 months 2000
	Notes	£	£
Turnover	1(h)	1,736,877	1,404,212
Other operating income	2	1,136,702	710,478
Staff costs	5	(1,069,666)	(693,972)
Depreciation		(365,156)	(273,937)
Other operating charges		(2,044,100)	(1,659,819)
<b>Operating loss</b>	3	<b>(605,343)</b>	<b>(513,038)</b>
Profit on disposal of fixed assets		124,433	-
Other interest receivable and similar income	4	212,237	218,022
Amounts written off investments	10	1,393	(63,674)
<b>Loss on ordinary activities before taxation</b>		<b>(267,280)</b>	<b>(358,690)</b>
Taxation	6	197,588	-
<b>Loss on ordinary activities after taxation</b>		<b>(69,692)</b>	<b>(358,690)</b>

All items dealt with above relate to continuing operations.

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

**UK STEEL ENTERPRISE LTD**

**BALANCE SHEET  
AS AT 29 DECEMBER 2001**

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	8	6,810,505	7,332,013
Investment in subsidiary undertaking	9	10,000	-
		<u>6,820,505</u>	<u>7,332,013</u>
<b>INVESTMENTS</b>	10	671,479	601,644
<b>CURRENT ASSETS</b>			
Debtors:			
amounts falling due after more than 1 year	11	1,628,092	1,740,743
amounts falling due within 1 year	11	8,710,174	6,783,906
Cash at bank and in hand		533,283	431,938
		<u>11,543,028</u>	<u>9,558,231</u>
<b>CREDITORS: amounts falling due within 1 year</b>	12	(558,653)	(711,864)
<b>NET CURRENT ASSETS</b>		<u>10,984,375</u>	<u>8,846,367</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>17,804,880</u>	<u>16,178,380</u>
<b>CREDITORS: amounts falling due after more than 1 year</b>	13	(2,000,000)	-
<b>ACCRUALS AND DEFERRED INCOME</b>	14	(835,593)	(1,139,401)
		<u>14,969,287</u>	<u>15,038,979</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	10,000,100	10,000,100
Profit and loss account	17	4,969,187	5,038,879
<b>EQUITY SHAREHOLDER'S FUNDS</b>	18	<u>14,969,287</u>	<u>15,038,979</u>

The financial statements on pages 6 to 22 were approved by the board of directors on 15 May 2002 and were signed on its behalf by:-



S R Green  
Director

# UK STEEL ENTERPRISE LTD

## NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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### 1. STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

#### (b) **Financial Year**

These financial statements have been prepared for the 52 weeks from 31 December 2000 to 29 December 2001.

#### (c) **Tangible Fixed Assets**

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

#### (d) **Depreciation**

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

The principal annual rates used for this purpose are:

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

#### (e) **Government and European Grants**

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



## UK STEEL ENTERPRISE LTD

### NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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(f) **Debtors**

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

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

(g) **Pensions**

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

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

(h) **Turnover**

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

(i) **Investments**

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

**UK STEEL ENTERPRISE LTD**

**NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001**

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**(j) Deferred Taxation**

From 1 January 2001 the company adopted FRS 19 “Deferred Tax”, which requires full provision to be made for deferred tax arising from timing differences between the recognized gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. In adopting FRS19 the company has chosen to discount deferred tax assets and liabilities. The comparative figures for the period have been restated to reflect the impact of FRS19. The prior period impact of adopting FRS19 is shown below, but it is not considered practical to show the impact of this accounting policy change on the current year results.

	Restated 9 months 2000 £
Profit and loss account:	
Increased loss for period	-
Balance sheet:	
Total opening adjustment	-
Total recognised gains - loss for period	-
Impact on shareholders funds	-

**(k) Operating Leases**

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

**(l) Cash Flow Statement**

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

**(m) Related Party Transactions**

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

## UK STEEL ENTERPRISE LTD

### NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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#### 2. OTHER OPERATING INCOME

	2001	9 months 2000
	£	£
Share dividends and interest receivable on loans	470,633	287,722
Arrangement fees	28,445	4,050
Profit on realisation of shares	178,551	241,809
ERDF grant income (note 14)	382,023	158,718
RDG grant income (note 14)	77,050	18,179
	<u>1,136,702</u>	<u>710,478</u>

#### 3. OPERATING LOSS

	2001	9 months 2000
	£	£
Operating loss is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	365,156	273,937
Auditors' remuneration for:		
- audit	10,750	13,000
- other services	1,100	-
Hire of machinery and equipment - operating leases	37,805	15,930
Profit on disposals of fixed assets	16,500	2,711
Provisions against loans	506,573	478,545

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	9 months 2000
	£	£
Group interest	191,058	202,790
Bank interest	17,687	14,243
Other interest	3,492	989
	<u>212,237</u>	<u>218,022</u>

5. EMPLOYEE INFORMATION

	2001	9 months 2000
	£	£
Wages and salaries	967,440	623,550
Social security costs	89,935	62,058
Other pension costs	12,291	8,364
	<u>1,069,666</u>	<u>693,972</u>

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

	2001	9 months 2000
	Number	Number
Administration	<u>27</u>	<u>25</u>

UK STEEL ENTERPRISE LTD

NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

6. TAXATION

The taxation credit comprises:

	2001	Restated 9 months 2000
	£	£
Group relief in respect of current period	90,722	-
Adjustment in respect of prior periods' group relief	106,866	-
Current tax	197,588	-
Origination and reversal of timing differences	-	-
Increase/(decrease) in discount	-	-
Deferred tax	-	-
	<u>197,588</u>	<u>-</u>

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

Tax on result at standard rate 30% (2000: 30%)	80,184	107,607
Temporary timing differences between taxable and accounting profit:		
Accelerated capital allowances	(47,067)	(19,174)
Other timing differences	1,037	464
Prior year credit	106,866	-
Permanent differences	56,568	(88,897)
	<u>197,588</u>	<u>-</u>

# UK STEEL ENTERPRISE LTD

## NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

### 7. DIRECTORS' EMOLUMENTS

No directors exercised any share options in the period.

	2001	9 months 2000
	£	£
Aggregate emoluments	<u>142,173</u>	<u>88,967</u>

Retirement benefits are accruing to 1 (2000: 2) director under the British Steel Pension Scheme (1990) defined benefit scheme.

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

### 8. TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Motor Vehicles and Equipment	Total
	£	£	£	£
<u>COST</u>				
At 31 December 2000	3,327,544	5,806,145	183,588	<b>9,317,277</b>
Additions	22,824	-	-	<b>22,824</b>
Disposals	-	(473,887)	(129,305)	<b>(603,192)</b>
At 29 December 2001	<u>3,350,368</u>	<u>5,332,258</u>	<u>54,283</u>	<b>8,736,909</b>
<u>DEPRECIATION</u>				
At 31 December 2000	(254,854)	(1,586,644)	(143,766)	<b>(1,985,264)</b>
Charge for year	(133,101)	(209,489)	(22,566)	<b>(365,156)</b>
Disposals	-	298,766	125,250	<b>424,016</b>
At 29 December 2001	<u>(387,955)</u>	<u>(1,497,367)</u>	<u>(41,082)</u>	<b>(1,926,404)</b>
<u>NET BOOK VALUE</u>				
At 29 December 2001	<u>2,962,413</u>	<u>3,834,891</u>	<u>13,201</u>	<b>6,810,505</b>
At 31 December 2000	<u>3,072,690</u>	<u>4,219,501</u>	<u>39,822</u>	<b>7,332,013</b>

## UK STEEL ENTERPRISE LTD

### NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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#### 9. INVESTMENT IN SUBSIDIARY UNDERTAKING

Additions at cost	10,000
	<hr/>
Cost and net book value at 29 December 2001	10,000
	<hr/> <hr/>

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

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

#### 10. INVESTMENTS

	Unquoted investments	Traded on London Stock Exchange	Traded on AIM	Total
	£	£	£	£
At 31 December 2000	572,707	14,875	14,062	601,644
Additions	311,144	-	18,826	329,970
Disposals/repayments	(94,020)	(14,875)	(152,633)	(261,528)
Movements in provisions	(118,352)	-	119,745	1,393
	<hr/>			<hr/>
At 29 December 2001	671,479	-	-	671,479
	<hr/> <hr/>			<hr/> <hr/>
Number of companies	61	-	-	61

Investments represent ordinary, preferred ordinary and preference shares.

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

**UK STEEL ENTERPRISE LTD**

**NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001**

**11. DEBTORS**

	2001	2000
	<u>£</u>	<u>£</u>
Amounts falling due after more than one year		
Loans (note 1(f))	1,536,302	1,656,950
Prepayments and accrued income (note 19)	91,790	83,793
	<u>1,628,092</u>	<u>1,740,743</u>
Amounts falling due within one year		
Loans (note 1(f))	1,093,096	835,390
Amounts owed by group undertakings	7,087,803	5,249,010
Group relief receivable	90,722	44,173
Prepayments and accrued income (note 19)	142,469	220,088
Other debtors (including interest on loans (note 1(f)))	296,084	435,245
	<u>8,710,174</u>	<u>6,783,906</u>
	<u><u>10,338,266</u></u>	<u><u>8,524,649</u></u>

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

	2001	2000
	<u>£</u>	<u>£</u>
Trade creditors	74,380	90,528
Other tax and social security	28,254	8,283
Deposits held	235,268	248,069
Other creditors	220,751	364,984
	<u>558,653</u>	<u>711,864</u>
	<u><u>558,653</u></u>	<u><u>711,864</u></u>



**UK STEEL ENTERPRISE LTD**

**NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001**

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

	2001	2000
	<u>£</u>	<u>£</u>
Amounts owed to group undertakings	<u>2,000,000</u>	<u>-</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**

	2001	2000
	<u>£</u>	<u>£</u>
Regional Development Grants		
At 31 December 2000	<b>194,998</b>	213,177
Transfer to profit and loss account (note 2)	<b>(77,050)</b>	(18,179)
	<u><b>117,948</b></u>	<u>194,998</u>
European Regional Development Fund Grants		
At 31 December 2000	<b>944,403</b>	1,233,151
Additions	<b>155,265</b>	1,440,368
Transfer to profit and loss account (note 2)	<b>(382,023)</b>	(158,718)
Transfer to fixed assets (note 8)	-	(1,570,398)
	<u><b>717,645</b></u>	<u>944,403</u>
Total deferred grants	<u><b>835,593</b></u>	<u>1,139,401</u>

# UK STEEL ENTERPRISE LTD

## NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

#### Deferred Taxation

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

	2001	Restated 2000
	£	£
Short term timing differences	29,932	28,894
Accelerated capital allowances	248,043	295,110
Losses	(277,975)	(324,004)
Undiscounted provision for deferred tax	-	-
Discount	-	-
At the beginning of the period as previously reported	-	-
Prior year adjustment - FRS19	-	-
At the beginning of the period as restated	-	-
Profit and loss account	-	-
At the end of the period	-	-

A deferred tax asset is not recognized in respect of tax losses of £4,210,417 (2000: £4,056,987) due to the uncertainty of utilization.

### 16. SHARE CAPITAL

	2001	2000
	£	£
Authorised:		
Ordinary shares at £1 each	12,000,000	12,000,000
Allotted, called up and fully paid:		
Ordinary shares at £1 each	10,000,100	10,000,100

# UK STEEL ENTERPRISE LTD

## NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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### 17. RESERVES

	<b>Profit &amp; Loss Account</b>
	<u>£</u>
At 31 December 2000	<b>5,038,879</b>
Retained loss for the financial period	<b>(69,692)</b>
	<hr/>
At 29 December 2001	<b>4,969,187</b>
	<hr/> <hr/>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	<b>2001</b>	<b>2000</b>
	<u>£</u>	<u>£</u>
(Loss) for the financial period	<b>(69,692)</b>	<b>(358,690)</b>
	<hr/>	<hr/>
Net (decrease) to shareholders' funds	<b>(69,692)</b>	<b>(358,690)</b>
	<hr/>	<hr/>
Opening shareholders' funds	<b>15,038,979</b>	<b>15,397,669</b>
	<hr/>	<hr/>
Closing shareholders' funds	<b>14,969,287</b>	<b>15,038,979</b>
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## UK STEEL ENTERPRISE LTD

### NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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#### 19. PENSIONS

The Company participates in The British Steel Pension Scheme 1990, a group pension scheme operated by Corus UK Ltd. 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 1999. Particulars of the valuation are contained in the financial statements of Corus Group plc. The pension costs to the Company for the year ended 29 December 2001, which are based on pension costs across the whole scheme, amounted to £12,291 (2000: £8,364). A prepayment of £99,772 (2000: £96,314) is included in debtors, of which £91,790 (2000: £83,793) falls due after more than one year, representing the excess of the amounts funded over the pension charge for the year.

The requirements of FRS17 "Retirement Benefits" do not have to be fully implemented until accounting periods which end on or after 22 June 2003. Since the company is unable to identify its share of the underlying assets and liabilities in the British Steel Pension Scheme 1990 on a consistent and reasonable basis, pension obligations will be accounted for as multi-employer under FRS17. Full transitional disclosures are provided in the financial statements of Corus Group plc.

The last valuation for funding purposes was performed at 31 March 1999 and the funding level revealed was 115%. UK Steel Enterprise are contributing 2% of pensionable salary into the scheme along with other participating employers.

# UK STEEL ENTERPRISE LTD

## NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

### 20. CONTINGENT LIABILITIES AND COMMITMENTS

	2001	2000
	£	£
(a) Loans and investments in share capital committed but not paid	<u>1,092,000</u>	<u>978,000</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	952	6,161
Motor vehicles, leases expiring within 2-5 years	43,284	13,528
	<u>44,236</u>	<u>19,689</u>
(c) Third party loans guaranteed	<u>30,000</u>	<u>30,000</u>
(d) A minority shareholder of a company, in which UK Steel Enterprise holds 5% of the ordinary equity, has brought a successful unfair prejudice claim against that company and its shareholders. An out of court settlement has been reached whereby the shareholders will try to sell the entire share capital of the company by 30 <sup>th</sup> June 2003.		

In the event that a company sale does not occur, the minority shareholder who brought the action has the right to require the rest of the shareholders to purchase his shares from him at the higher of the market value at that date and £17.10 per share. The minority shareholder holds 45,000 ordinary shares, representing a holding of 42.75%, and the liability to purchase these shares is held jointly and severally by all of the other shareholders of the company.

The latest valuation of the company indicates that the shares are worth less than £17.10 each and that the purchase of the minority shares would cost approximately £100,000 more than their market value. The company is being marketed for sale from June 2002 and the directors consider that the most likely outcome is a sale of the company by December 2002. Accordingly, no provision has been made in these accounts in respect of this matter.

## UK STEEL ENTERPRISE LTD

### NOTES TO THE FINANCIAL STATEMENTS – 29 DECEMBER 2001

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#### 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 29 December 2001 are as shown below.

	2001	2000
	<u>£</u>	<u>£</u>
Yorkshire and Humberside Enterprise Fund	603,173	401,249
South Wales Technology and Enterprise Fund	66,630	1,182,013
North of England Venture Capital Fund	87,324	29,742
	<u>757,127</u>	<u>1,613,004</u>

#### 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.