

**UK STEEL ENTERPRISE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 3 JANUARY 2004**

Registered number: 535960



# UK STEEL ENTERPRISE LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 3 JANUARY 2004

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### 1. Financial Statements

The directors submit herewith the audited financial statements of the Company for the year ended 3 January 2004. 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 year with an average occupancy level of 90%. Completion of the extension to our workspace in Kirkleatham occurred in January 2003 and our new property development at Ebbw Vale was opened in December 2003.

Lending and investment activity was subdued for the first half of the year, but activity levels picked up considerably in the second half. There were several significant share realisations in the year that have contributed positively to the year's results.

The level of business and the year end financial position are considered to be satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### 4. Results and Dividends

The Company recorded a profit of £562,399 (2002: £363,652) after tax 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 (2002: £nil).

### 5. Fixed Assets

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

### 6. Directors

The following directors all served throughout the year except where stated:

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 - appointed 19 February 2004

# UK STEEL ENTERPRISE LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 3 JANUARY 2004

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

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

	<b>3 Jan 2004</b>	<b>28 Dec 2002</b>
	<b>No of new 10p shares</b>	<b>No of old 50p shares</b>
A J Johnston	<b>14,862</b>	5,580
S R Green	<b>44,051</b>	26,638
V J Smith	<b>13,549</b>	9,565
Lord Brookman	-	-
A V L Williams	<b>22,000</b>	22,000
C D Gardner	<b>12,345</b>	3,339

The interests of the directors in the Corus Group Executive Share Option Scheme and the Corus Group Share Save Scheme are shown below. Options outstanding at 8 December 2003 were adjusted, in line with all other employee options, as a result of the placing and open offer of Corus Group plc shares at that time. The tables show options as at that date prior to and after such adjustment.

#### Sharesave option schemes

Old ordinary shares of 50p	Date of grant	Option price	28 Dec 2002	Movement during the period		8 Dec 2003	Exercise Period
			Number	Exercised Number	Lapsed/ cancelled Number	Number	
A J Johnston	2001	51p	22,674	-	-	22,674	2006
S R Green	2001	51p	22,674	-	-	22,674	2006
V J Smith	1998	88p	4,408	-	4,408	-	2003
C D Gardner	2001	51p	22,674	-	-	22,674	2006

New ordinary shares of 10p	Date of grant	Option price	8 Dec 2003	Movement during the period		3 Jan 2004	Exercise Period
			Number	Exercised Number	Lapsed/ cancelled Number	Number	
A J Johnston	2001	51p	23,378	-	-	23,378	2006
S R Green	2001	51p	23,378	-	-	23,378	2006
C D Gardner	2001	51p	23,378	-	-	23,378	2006

# UK STEEL ENTERPRISE LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 3 JANUARY 2004

### Executive share option schemes

Old ordinary shares of 50p	Date of grant	Option price	28 Dec 2002	Movement during the period		8 Dec 2003	Exercise Period	
			Number	Exercised Number	Lapsed/ cancelled Number	Number	From	To
A J Johnston	1994	107p	29,632	-	-	29,632	30 Jun 1997	30 Jun 2004
	1995	130p	25,929	-	-	25,929	30 Jun 1998	30 Jun 2005
	1996	138p	30,910	-	-	30,910	30 Jul 1999	30 Jul 2006
	1997	122p	39,724	-	-	39,724	24 Jul 2000	24 Jul 2007
	1999	129p	94,008	-	-	94,008	30 Jun 2002	30 Jun 2009
	2000	120p	166,200	-	-	166,200	4 Feb 2003	4 Feb 2010
	2001	55p	397,800	-	-	397,800	28 Mar 2004	28 Mar 2011
			<b>784,203</b>	-	-	<b>784,203</b>		
S R Green	1997	122p	9,707	-	-	9,707	24 Jul 2000	24 Jul 2007
	1999	129p	19,414	-	-	19,414	30 Jun 2002	30 Jun 2009
	2000	120p	36,100	-	-	36,100	4 Feb 2003	4 Feb 2010
	2001	55p	54,200	-	-	54,200	28 Mar 2004	28 Mar 2011
			<b>119,421</b>	-	-	<b>119,421</b>		
V J Smith	1995	130p	13,695	-	-	13,695	30 Jun 1998	30 Jun 2005
	1996	138p	13,794	-	-	13,794	30 Jul 1999	30 Jul 2006
	1997	122p	18,265	-	-	18,265	24 Jul 2000	24 Jul 2007
			<b>45,754</b>	-	-	<b>45,754</b>		
C D Gardner	1995	130p	9,579	-	-	9,579	30 Jun 1998	30 Jun 2005
	1996	138p	9,068	-	-	9,068	30 Jul 1999	30 Jul 2006
	1997	122p	13,539	-	-	13,539	24 Jul 2000	24 Jul 2007
	1999	129p	47,515	-	-	47,515	30 Jun 2002	30 Jun 2009
	2000	120p	58,800	-	-	58,800	4 Feb 2003	4 Feb 2010
	2001	55p	92,200	-	-	92,200	28 Mar 2004	28 Mar 2011
			<b>230,701</b>	-	-	<b>230,701</b>		

New ordinary shares of 10p	Date of grant	Option price	8 Dec 2003	Movement during the period		3 Jan 2004	Exercise Period	
			Number	Exercised Number	Lapsed/ cancelled Number	Number	From	To
A J Johnston	1994	104p	30,548	-	-	30,548	30 Jun 1997	30 Jun 2004
	1995	126p	26,730	-	-	26,730	30 Jun 1998	30 Jun 2005
	1996	134p	31,865	-	-	31,865	30 Jul 1999	30 Jul 2006
	1997	118p	40,952	-	-	40,952	24 Jul 2000	24 Jul 2007
	1999	125p	96,914	-	-	96,914	30 Jun 2002	30 Jun 2009
	2000	117p	171,338	-	-	171,338	4 Feb 2003	4 Feb 2010
	2001	54p	410,099	-	-	410,099	28 Mar 2004	28 Mar 2011
			<b>808,446</b>	-	-	<b>808,446</b>		
S R Green	1997	118p	10,007	-	-	10,007	24 Jul 2000	24 Jul 2007
	1999	125p	20,013	-	-	20,013	30 Jun 2002	30 Jun 2009
	2000	117p	37,216	-	-	37,216	4 Feb 2003	4 Feb 2010
	2001	54p	55,875	-	-	55,875	28 Mar 2004	28 Mar 2011
			<b>123,111</b>	-	-	<b>123,111</b>		
V J Smith	1995	126p	14,118	-	-	14,118	30 Jun 1998	30 Jun 2005
	1996	134p	14,220	-	-	14,220	30 Jul 1999	30 Jul 2006
	1997	118p	18,829	-	-	18,829	24 Jul 2000	24 Jul 2007
			<b>47,167</b>	-	-	<b>47,167</b>		
C D Gardner	1995	126p	9,875	-	-	9,875	30 Jun 1998	30 Jun 2005
	1996	134p	9,348	-	-	9,348	30 Jul 1999	30 Jul 2006
	1997	118p	13,957	-	-	13,957	24 Jul 2000	24 Jul 2007
	1999	125p	48,984	-	-	48,984	30 Jun 2002	30 Jun 2009
	2000	117p	60,618	-	-	60,618	4 Feb 2003	4 Feb 2010
	2001	54p	95,050	-	-	95,050	28 Mar 2004	28 Mar 2011
			<b>237,832</b>	-	-	<b>237,832</b>		

No share options have been granted during the year.

The market price of the Corus Group plc shares at 3 January 2004 was 32p and the range during the year was 4p to 38p.

# UK STEEL ENTERPRISE LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 3 JANUARY 2004

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### 8. Directors' Responsibilities

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

The directors confirm that 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 year ended 3 January 2004.

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

### 9. Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



S A Williamson  
Secretary  
13 May 2004

The Innovation Centre  
217 Portobello  
Sheffield S1 4DP

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF UK STEEL ENTERPRISE LIMITED

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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. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purposes. 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

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

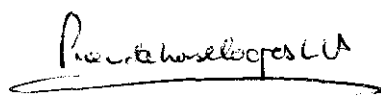
#### **Basis of audit opinion**

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 3 January 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Sheffield  
14 May 2004

## UK STEEL ENTERPRISE LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 3 JANUARY 2004

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		2003	2002
	Notes	£	£
Turnover	1(h)	2,056,167	1,891,778
Other operating income	2	3,030,672	1,915,027
Staff costs	5	(1,213,760)	(1,140,872)
Depreciation		(432,600)	(347,956)
Impairment loss	8	(1,354,064)	-
Other operating charges		(1,949,648)	(2,071,968)
<b>Operating profit</b>	3	<b>136,767</b>	246,009
Other interest receivable and similar income	4	394,709	331,791
Written back to / (off) investments	10	30,923	(214,148)
<b>Profit on ordinary activities before taxation</b>		<b>562,399</b>	363,652
Taxation	6	-	-
<b>Profit on ordinary activities after taxation</b>		<b>562,399</b>	363,652

All items dealt with above relate to continuing operations.

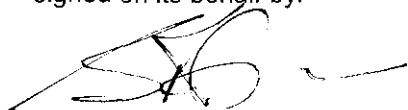
The company has no recognised gains and losses other than the profits shown above and therefore no separate statement of total recognised gains and losses has been presented.

**UK STEEL ENTERPRISE LIMITED**

**BALANCE SHEET  
AS AT 3 JANUARY 2004**

		3 Jan 2004	28 Dec 2002
	Notes	£	£
<b>FIXED ASSETS</b>			
Tangible assets	8	9,452,800	8,035,853
Investment in subsidiary undertaking	9	10,000	10,000
		<u>9,462,800</u>	<u>8,045,853</u>
<b>INVESTMENTS</b>			
	10	739,868	747,151
<b>CURRENT ASSETS</b>			
Debtors:			
amounts falling due after more than 1 year	11	1,367,600	1,325,847
amounts falling due within 1 year	11	15,150,721	12,578,239
Cash at bank and in hand		875,788	776,166
		<u>18,133,977</u>	<u>15,427,403</u>
<b>CREDITORS: amounts falling due within 1 year</b>	12	<b>(819,652)</b>	<b>(1,237,136)</b>
<b>NET CURRENT ASSETS</b>		<u>17,314,325</u>	<u>14,190,267</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>26,777,125</u>	<u>22,236,120</u>
<b>CREDITORS: amounts falling due after more than 1 year</b>	13	<b>(10,000,000)</b>	<b>(6,000,000)</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	14	<b>(881,787)</b>	<b>(817,915)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<b>-</b>	<b>(85,266)</b>
		<u>15,895,338</u>	<u>15,332,939</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	10,000,100	10,000,100
Profit and loss account	17	5,895,238	5,332,839
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>15,895,338</u>	<u>15,332,939</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 13 May 2004 and were signed on its behalf by:-



S R Green  
Director



## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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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 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 Year**

These financial statements have been prepared for the 53 weeks from 29 December 2002 to 3 January 2004.

##### (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 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
Computer equipment	33
Fixtures and fittings	10
Motor vehicles	25

##### (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 costs, the release of the grant to the profit and loss account is accelerated up to a maximum of any impairment loss.

## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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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 Limited. 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) exclusive of VAT.

(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.

(j) **Deferred Taxation**

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

(k) **Operating Leases**

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

(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 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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#### 2. OTHER OPERATING INCOME

	2003	2002
	£	£
Share dividends and interest receivable on loans	562,455	523,234
Software license fees	3,000	12,000
Arrangement fees	150	3,850
Profit on realisation of shares	269,525	453,414
Group Management charges	575,105	586,930
Grant income (note 14)	1,620,437	335,599
	<u>3,030,672</u>	<u>1,915,027</u>

#### 3. OPERATING PROFIT

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	432,600	347,956
Auditors' remuneration for:		
- audit	10,000	10,000
- other services	-	-
Hire of machinery and equipment - operating leases	79,247	62,401
Profit on disposals of fixed assets	1,186	1,500
Impairment loss (note 8)	1,354,064	-
Provisions against loans	332,069	405,330
Provision for foreseeable losses (note 15)	-	85,266
	<u></u>	<u></u>

# UK STEEL ENTERPRISE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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### 4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Group interest	373,593	309,915
Bank interest	19,197	17,870
Other interest	1,919	4,006
	<u>394,709</u>	<u>331,791</u>

### 5. EMPLOYEE INFORMATION

	2003	2002
	£	£
Wages and salaries	1,106,350	1,037,667
Social security costs	101,986	90,971
Other pension costs	5,424	12,234
	<u>1,213,760</u>	<u>1,140,872</u>

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

	2003	2002
	Number	Number
Administration	<u>33</u>	<u>30</u>

## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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#### 6. TAXATION

The taxation comprises:

	2003	2002
	<u>£</u>	<u>£</u>
Current tax	-	-
The current tax reconciles with the standard rate of corporation tax as follows:		
Tax on result at standard rate 30% (2002: 30%)	168,720	109,096
Temporary timing differences between taxable and accounting profit:		
Accelerated capital allowances	412,232	19,853
Losses brought forward and utilised	(98,611)	(177,799)
Permanent differences	(482,341)	48,850
	<u>-</u>	<u>-</u>

#### 7. DIRECTORS' EMOLUMENTS

No directors exercised any share options in the year.

	2003	2002
	<u>£</u>	<u>£</u>
Aggregate emoluments	<u>94,464</u>	<u>86,402</u>

Retirement benefits are accruing to 1 (2002: 1) 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 Limited 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.

# UK STEEL ENTERPRISE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

### 8. TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Assets Under Construction	Motor Vehicles and Equipment	Total
	£	£		£	£
<u>COST</u>					
At 29 December 2002	3,352,619	5,332,258	1,506,718	98,118	<b>10,289,713</b>
Additions	-	-	3,136,860	67,194	<b>3,204,054</b>
Disposals	-	-	-	(17,558)	<b>(17,558)</b>
Transfers	1,643,628	2,999,950	(4,643,578)	-	-
At 3 January 2004	<b>4,996,247</b>	<b>8,332,208</b>	-	<b>147,754</b>	<b>13,476,209</b>
<u>DEPRECIATION</u>					
At 29 December 2002	(521,970)	(1,692,983)	-	(38,907)	<b>(2,253,860)</b>
Charge for year	(200,030)	(200,494)	-	(32,076)	<b>(432,600)</b>
Disposals	-	-	-	17,115	<b>17,115</b>
Impairment losses	-	(1,354,064)	-	-	<b>(1,354,064)</b>
At 3 January 2004	<b>(722,000)</b>	<b>(3,247,541)</b>	-	<b>(53,868)</b>	<b>(4,023,409)</b>
<u>NET BOOK VALUE</u>					
At 3 January 2004	<b>4,274,247</b>	<b>5,084,667</b>	-	<b>93,886</b>	<b>9,452,800</b>
At 28 December 2002	<b>2,830,649</b>	<b>3,639,275</b>	<b>1,506,718</b>	<b>59,211</b>	<b>8,035,853</b>

During the year, the construction of a new property was completed at a total cost of £2,999,950. In accordance with FRS 11, an impairment loss of £1,354,064 has been recognised, writing the carrying value down to its estimated net realisable value, which has been estimated as £1,645,886, being the net building cost after deducting the grants awarded to the Company by the European Union and the Welsh Development Agency. The net realisable value is supported by a professional valuation. The related grant income has been accelerated in the profit and loss account to match the write down of the asset in accordance with the company's accounting policy.

## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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#### 9. INVESTMENT IN SUBSIDIARY UNDERTAKING

	<u>£</u>
Cost and net book value at 28 December 2002 and 3 January 2004	<u>10,000</u>

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

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

#### 10. INVESTMENTS

	<u>£</u>
At 29 December 2002	747,151
Additions	260,826
Disposals/repayments	(165,934)
Transfer from provision for foreseeable losses (note 15)	(85,266)
Recoveries under guarantees	(47,832)
Movements in provisions	30,923
At 3 January 2004	<u>739,868</u>
Number of companies	<u>55</u>

Investments represent ordinary, preferred ordinary and preference shares in unquoted companies.

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

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

11. DEBTORS

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
Amounts falling due after more than one year		
Loans (note 1(f))	1,271,944	1,228,488
Prepayments and accrued income (note 19)	95,656	97,359
	<u>1,367,600</u>	<u>1,325,847</u>
Amounts falling due within one year		
Loans (note 1(f))	976,307	1,160,490
Amounts owed by group undertakings	13,508,017	11,047,935
Group relief receivable	-	-
Prepayments and accrued income (note 19)	85,073	82,139
Other debtors (including interest on loans (note 1(f)))	581,324	287,675
	<u>15,150,721</u>	<u>12,578,239</u>
	<u>16,518,321</u>	<u>13,904,086</u>

12. CREDITORS - Amounts falling due within one year

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
Trade creditors	110,685	273,226
Amounts owed to group undertakings	34,732	467,980
Deposits held	283,441	243,551
Other creditors	390,794	252,379
	<u>819,652</u>	<u>1,237,136</u>



## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
Amounts owed to group undertakings	<u>10,000,000</u>	<u>6,000,000</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**

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
Government, European Union and other capital grants		
At 29 December 2002	817,915	835,593
Additions	1,684,309	317,921
Transfer to profit and loss account (note 2)	(266,373)	(335,599)
Transfer to profit and loss account upon impairment (note 2)	(1,354,064)	-
	<u>881,787</u>	<u>817,915</u>
At 3 January 2004	<u>881,787</u>	<u>817,915</u>

As described in note 8, an impairment of a property has occurred in the year. Grants had been awarded to the company by the European Union and the Welsh Development Agency totalling £1,354,064 to compensate the company for the shortfall in the net realisable value against the cost of construction. In accordance with SSAP4, these grants should be recognised in the profit and loss account in the same period as the related expenditure. Accordingly, since an impairment loss of £1,354,064 has been recognised in the current year, the grant has all been transferred to the profit and loss account.

# UK STEEL ENTERPRISE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

### 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).

	3 Jan 2004	28 Dec 2002
	£	£
Short term timing differences	31,886	29,932
Accelerated capital allowances	(31,886)	228,191
Losses	-	(258,123)
	<u>-</u>	<u>-</u>
Undiscounted provision for deferred tax	<u>-</u>	<u>-</u>

A deferred tax asset is not recognised in respect of tax losses of £4,279,324 (2002: £3,683,927) due to the uncertainty of utilisation.

#### Provision for foreseeable losses

	3 Jan 2004	28 Dec 2002
	£	£
At 29 December 2002	85,266	-
Charged in the year (see note 3)	-	85,266
Transfer to provision against investments upon realisation of loss (see note 10)	(85,266)	-
	<u>-</u>	<u>-</u>
At 3 January 2004	<u>-</u>	<u>85,266</u>

### 16. SHARE CAPITAL

	3 Jan 2004	28 Dec 2002
	£	£
Authorised:		
Ordinary shares of £1 each	12,000,000	12,000,000
	<u>12,000,000</u>	<u>12,000,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	10,000,100	10,000,100
	<u>10,000,100</u>	<u>10,000,100</u>

# UK STEEL ENTERPRISE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

### 17. RESERVES

	Profit & Loss Account
	£
At 29 December 2002	5,332,839
Retained profit for the financial year	562,399
	<hr/>
At 3 January 2004	5,895,238
	<hr/> <hr/>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	3 Jan 2004	28 Dec 2002
	£	£
Profit for the financial period	562,399	363,652
	<hr/>	<hr/>
Net increase in shareholders' funds	562,399	363,652
Opening shareholders' funds	15,332,939	14,969,287
	<hr/>	<hr/>
Closing shareholders' funds	15,895,338	15,332,939
	<hr/> <hr/>	<hr/> <hr/>

### 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 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 2002. Particulars of the valuation are contained in the financial statements of Corus Group plc. The pension costs to the Company for the year ended 3 January 2004, which are based on pension costs across the whole scheme, amounted to £5,424 (2002: £12,234). A prepayment of £104,771 (2002: £106,287) is included in debtors, of which £95,656 (2002: £97,359) 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 that begin on or after 1 January 2005. 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 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 2002 and the funding level revealed was 111%. Until 31 March 2003 UK Steel Enterprise Limited, along with other participating employers, was contributing 2% of pensionable salary into the scheme. With effect from 1 April 2003 these contributions were reduced to 0%.

# UK STEEL ENTERPRISE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

### 20. CONTINGENT LIABILITIES AND COMMITMENTS

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
(a) Loans and investments in share capital committed but not paid	<u>780,500</u>	<u>408,000</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	14,972	9,930
Motor vehicles, leases expiring within 2-5 years	49,827	60,745
	<u>64,799</u>	<u>70,675</u>
(c) Capital expenditure contracted but not provided for	<u>-</u>	<u>2,689,000</u>
(d) Third party loans guaranteed	<u>30,000</u>	<u>30,000</u>

### 21. RING-FENCED FUNDS

Within current assets there are European Regional Development Fund grant assisted investment funds which have been set up for investments in specific areas of the United Kingdom. Under the terms of the different schemes these funds are ring fenced for investment in accordance with the scheme rules. The totals of these funds as at 3 January 2004 are as shown below.

	3 Jan 2004	28 Dec 2002
	<u>£</u>	<u>£</u>
Yorkshire and Humberside Enterprise Fund	837,799	720,657
South Wales Technology and Enterprise Fund	843,966	730,517
North of England Venture Capital Fund	84,270	92,475
	<u>1,766,035</u>	<u>1,543,649</u>

## UK STEEL ENTERPRISE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS – 3 JANUARY 2004

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#### 22. ULTIMATE PARENT COMPANY

The ultimate parent company of UK Steel Enterprise Limited is Corus Group plc, which is a company registered in England and Wales. A copy of the ultimate parent company's financial statements can be obtained from the Company Secretary, Corus Group plc, 30 Millbank, London, SW1P 4WY.