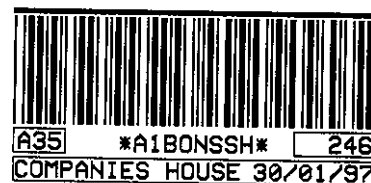


BRITISH STEEL EMPLOYEE SHARE OWNERSHIP TRUSTEES LTD

(COMPANY NO. 272870)

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 MARCH 1996



British Steel Employee Shares Ownership Trustees Limited
Report of the Directors for the Year Ended 30 March 1996

1. The directors submit the audited financial statements for the year ended 30 March 1996.
2. **PRINCIPAL ACTIVITY**
The principal activity of the Company is to act as Trustee for British Steel Employee Share Ownership Scheme. No change in Company's activities is envisaged in the foreseeable future.
3. **RESULTS**
The company has not traded during the period and consequently no profit and loss account is attached.
4. **DIRECTORS**
The following directors served during the period:

Mr D N Bright
Dr D Grieves
Mr D A Harrison
Sir Brian Moffat
Mr A D G Williams
Ms C J Price
5. **DIRECTORS' INTERESTS IN SHARES OF THE GROUP**
The directors had the following interests in the ordinary shares of British Steel plc, the Company's ultimate parent company.

	<u>Ordinary Shares</u> <u>of 50p each</u>			<u>Options</u>		1996 Number
	1996 Number	1995 Number	1995 Number	Granted Number	Exercised Number	
Mr D N Bright	31,045	1,892	134,509	14,550	102,400	46,659
Dr D Grieves	Nil	70,166	434,200		434,200	Nil
Mr D A Harrison	Nil	Nil	Nil			Nil
Sir Brian Moffat	229,844	26,644	1,421,109	144,350	1,239,900	325,559
Mr A D G Williams	3,548	3,548	Nil			Nil
Ms C J Price	Nil	Nil	36,250			36,250

Options granted after 30 March 1996:

Mr D N Bright	11,000
Sir Brian Moffat	139,600

British Steel Employee Share Ownership Trustees Limited
Report of the Directors for the Year Ended 30 March 1996

The directors had no interest, as defined by the Companies Act 1985, the shares of any other member of the Group during the period covered by these financial statements.

6. CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

7. AUDITORS

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

BY ORDER OF THE BOARD



A L Scandrett

Secretary

9 Albert Embankment
London SE1 7SN
27 January 1997

British Steel Employee Share Ownership Trustees Limited

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year.

The directors consider that in preparing the financial statements on pages 5 and 6, which have been prepared on a going concern basis, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the company which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



A.L. Scandrett

Secretary

27 January 1997

British Steel Employee Share Ownership Trustees Limited

Report of the Auditors to the members of British Steel Employee Share Ownership Trustees Limited

We have audited the financial statements on pages 5 and 6.

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 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 affairs of the company at 30 March 1996 and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

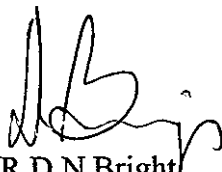
Coopers & Lybrand
Chartered Accountants and Registered Auditors
London 28 January 1997

British Steel Employee Share Ownership Trustees Limited

Balance Sheet at 30 March 1996

	<u>Notes</u>	1996 £	1995 £
Net Assets		<u>-</u>	<u>-</u>
Capital and Reserves			
Called up Share Capital	3	17	17
Profit and Loss account		<u>(17)</u>	<u>(17)</u>
		<u>-</u>	<u>-</u>

Approved by the Board on 27 January 1997.


MR D N Bright
Director

The notes on page 6 form part of these financial statements.

British Steel Employee Share Ownership Trustees Limited

Notes to the Financial Statements - 30 March 1996

1. **Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK.

2. **Trading**

The Company has not traded during the year. The Company has recognised no other gains or losses. Any expenses have been borne by British Steel plc, including the auditors remuneration.

3. **Called Up Share Capital**

	1996 £	1995 £
Ordinary Shares of £1 each		
- Authorised	<u>100</u>	<u>100</u>
- Issued, called up and fully paid	<u>17</u>	<u>17</u>

4. **Directors' Emoluments**

No director received any remuneration during the year in respect of their services to the Company. (1995: Nil).

5. **Ultimate Parent Company**

The Company is a wholly owned subsidiary of British Steel plc, a company registered in England and Wales. Copies of British Steel plc's consolidated financial statements may be obtained from The Secretary, British Steel plc, 9 Albert Embankment, London SE1 7SN