

# **Lee Steel Strip Limited**

## **Report and Financial Statements**

31 December 2000

Registered No. 453810



# Lee Steel Strip Limited

## DIRECTORS' REPORT

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for the period ended 31 December 2000

The accounting reference date has been changed to 31 December. The directors present their report and audited financial statements for the period ended 31 December 2000.

### **Principal activities and review of business**

The activity of the company continues to be the manufacture of cold rolled steel strip.

On the 12 November 1999, the entire share issue capital of the company was acquired by AvestaPolarit Holdings Limited (formerly Avesta Sheffield Holdings Limited), which is a subsidiary of Avesta Sheffield AB a company registered in Stockholm which, at 31 December 2000, was a subsidiary of Corus plc.

After the financial period end, on 1 January 2001, the whole of the company's business, assets, liabilities and undertakings were transferred at net book value to AvestaPolarit Limited (formerly Avesta Sheffield Limited), a fellow subsidiary of the UK parent, AvestaPolarit Holdings Limited. Lee Steel Strip Limited is dormant with effect from 1 January 2001.

On 22 January 2001 a merger was effected by way of a share for share exchange such that Avesta Sheffield AB became a subsidiary of Outokumpu Steel OyjAbp, renamed AvestaPolarit OyjAbp, a company listed on the Swedish and Finnish Stock exchanges. AvestaPolarit OyjAbp is itself a subsidiary of Outokumpu OyjAbp, a company listed on the Finnish stock exchange.

### **Results and Dividends**

No dividend is proposed. The retained profit for the period of £1,577,000 is shown on page 4 and is transferred to reserves.

### **Directors & their interests.**

The directors of the company, who held office for the whole period are given below:

S Lyons  
B Cheetham

According to the register required to be kept by section 325 of the Companies Act 1985, the Directors held no beneficial interest in the shares of the company or its immediate parent, AvestaPolarit Holdings Limited at 31 December 2000 or at any time during the period. At 31 December 2000, the directors were also directors of the immediate parent company, AvestaPolarit Holdings Limited. Their interests in that company's shares or those of the ultimate parent, Corus plc, are disclosed in the accounts of AvestaPolarit Holdings Limited.

# Lee Steel Strip Limited

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## DIRECTORS' REPORT

for the period ended 31 December 2000

### **Taxation Status**

The company was not a close company within the meaning of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year

### **Suppliers**

It is the company's policy to abide by the terms agreed with suppliers in respect of all goods and services properly invoiced to the company. The terms may be suppliers standard terms or such other agreed terms for specific transactions, as appropriate

The number of days purchases in creditors at 31 December 2000 was 52 days (March 2000 - 51)

### **Auditors**

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

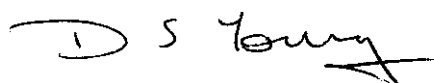
### **Directors' responsibilities**

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 the affairs of the company as at the end of the financial year and of its profit or loss 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 period ended 31 December 2000. 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

By order of the Board



D Young

Secretary

12 February 2001

# Lee Steel Strip Limited

## REPORT OF THE AUDITORS

for the period ended 31 December 2000

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

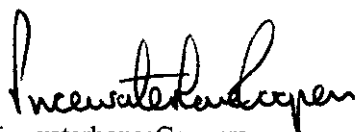
### Basis of audit opinion

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 31 December 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Sheffield

14 February 2001

**Lee Steel Strip Limited**

**PROFIT AND LOSS ACCOUNT**

for the period ended 31 December 2000

	Notes	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
<b>TURNOVER</b>	2	22,645	27,278
<b>OPERATING PROFIT</b>	3	<u>2,258</u>	<u>2,127</u>
Interest Payable	4	(7)	(104)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>2,251</u>	<u>2,023</u>
Taxation	7	(674)	(701)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>1,577</u>	<u>1,322</u>
Dividends	8	-	(840)
<b>PROFIT RETAINED FOR THE PERIOD</b>		<u><u>1,577</u></u>	<u><u>482</u></u>

Subsequent to the period end, the above activities were discontinued by the company and taken on by a fellow subsidiary, AvestaPolarit Limited (formerly Avesta Sheffield Limited) by virtue of the business transfer effected on the 1 January 2001.

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

**NOTE OF HISTORICAL COST PROFIT AND LOSS**

Reported profit on ordinary activities before taxation	2,251	2,023
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	12	17
Historical cost profit on ordinary activities before taxation	<u>2,263</u>	<u>2,040</u>
Historical cost profit for the period retained after taxation and dividends	<u><u>1,589</u></u>	<u><u>499</u></u>

Lee Steel Strip Limited

BALANCE SHEET

as at 31 December 2000

	Notes	31-Dec-00 £,000	31-Mar-00 £,000
<b>FIXED ASSETS</b>			
Tangible assets	9	12,198	12,229
<b>CURRENT ASSETS</b>			
Stocks	10	4,518	4,688
Debtors	11	6,810	5,925
Cash at bank and in hand		374	3
		11,702	10,616
CREDITORS: amounts falling due within one year	12	(6,535)	(7,162)
NET CURRENT ASSETS		5,167	3,454
TOTAL ASSETS LESS CURRENT LIABILITIES		17,365	15,683
CREDITORS: amounts falling due after one year	13	(2,700)	(2,700)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	14	(1,361)	(1,256)
NET ASSETS		13,304	11,727
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	9,500	9,500
Revaluation reserve	16	1,716	1,728
Profit and loss account	16	2,088	499
EQUITY SHAREHOLDERS' FUNDS		13,304	11,727

The financial statements on pages 4 to 14 were approved by the board of directors on 12 February 2001 and were signed on its behalf by:

S. Lyons  
Director



**1. ACCOUNTING POLICIES**

*Accounting convention*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings in accordance with applicable accounting standards. A summary of the more important accounting policies which have been applied consistently, is set out below

*Related party transactions*

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties that are part of the Avesta Sheffield AB group.

*Leased assets*

Rentals in respect of operating leases are charged to the profit and loss account on a straight-line basis.

*Tangible fixed assets*

Land and buildings are shown at cost or valuation. Other fixed assets are shown at cost, net of any related government grants. The company took advantage of the transitional provisions of FRS 15 and the valuation of the revalued assets has not been updated.

Freehold land is not depreciated.

Depreciation is provided, at annual rates calculated to write off the cost or valuation after deducting government grants, on all tangible fixed assets on a straight line basis over their expected useful lives as follows:-

Freehold buildings	2%
Plant, machinery and equipment	5 - 10%
Computer equipment	20 - 33 $\frac{1}{3}$ %
Motor vehicles	25%

*Stocks*

Stocks are stated at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Where necessary, provision is made for slow moving and obsolete items

*Research and development*

Expenditure on research and development is written off in the year in which it is incurred.

# Lee Steel Strip Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 31 December 2000

### 1. ACCOUNTING POLICIES (continued)

#### *Deferred Taxation*

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallize.

#### *Pensions*

The company contributes to a group pension scheme, which is a defined benefit scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. See also note 20.

#### *Foreign currencies*

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end, except where they are covered by forward contracts in which case the rate appropriate to the forward contract is used.

#### *Cash flow statement*

A cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary of Avesta Sheffield AB, which presents financial statements that are publicly available.

### 2. TURNOVER

Turnover is the net invoiced value of goods and services provided by the company exclusive of VAT.

By geographical area

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
United Kingdom	8,022	12,953
Rest of Europe	10,365	9,138
Rest of the World	4,258	5,187
	<u>22,645</u>	<u>27,278</u>



# Lee Steel Strip Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the period ended 31 December 2000

### 3. OPERATING PROFIT

Operating profit is arrived at as follows:

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Turnover	22,645	27,278
Increase/(Decrease) in stocks of finished goods and work in progress	(128)	658
	<u>22,517</u>	<u>27,936</u>
Raw materials and consumables	11,672	15,775
Employee costs (note 5)	4,810	5,535
Depreciation	369	1,205
Auditors' remuneration	15	12
Operating lease rentals - plant and machinery	81	72
Other operating charges	3,312	3,210
	<u>20,259</u>	<u>25,809</u>
	<u>2,258</u>	<u>2,127</u>

### 4. INTEREST PAYABLE

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Group	7	-
External	-	104
	<u>7</u>	<u>104</u>

## Lee Steel Strip Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 31 December 2000

#### 5. EMPLOYEE COSTS

Employee costs during the period amounted to:

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Wages and Salaries	3,881	4,797
Social Security costs	291	375
Normal Pension costs	377	276
Additional pension cost (see note 20)	261	87
	<u>4,810</u>	<u>5,535</u>

The average weekly number of persons employed by the company during the period was 199 (March 2000- 202).

	9 months ended 31-Dec-00 Number	Year ended 31-Mar-00 Number
Manual	138	138
Staff	<u>58</u>	<u>64</u>
	<u>196</u>	<u>202</u>

#### 6. DIRECTORS EMOLUMENTS

None of the directors holding office at 31 December 2000 received any emoluments from the company. The emoluments of such directors in their capacity as directors/officers of other group companies are disclosed in the accounts of AvestaPolarit Limited and AvestaPolarit Holdings Ltd.

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Paid by the Company	-	178,000
Paid by Carclo plc	-	100,000
	<u>-</u>	<u>278,000</u>
Highest paid director	<u>-</u>	<u>81,400</u>

None of the directors at 31 December 2000 had any retirement benefits accruing from the company (31 March 2000: nil)

# Lee Steel Strip Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the period ended 31 December 2000

### 7. TAXATION

The charge based on the profit for period comprises:

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Corporation Taxation	569	701
Deferred Taxation	105	-
	<u>674</u>	<u>701</u>

### 8. DIVIDENDS

	9 months ended 31-Dec-00 £,000	Year ended 31-Mar-00 £,000
Interim-paid	<u>-</u>	<u>840</u>

### 9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £,000	Plant and machinery £,000	Assets in Course of Construction £,000	Total £,000
Cost or valuation:				
At 1 April 2000	5,023	19,879	-	24,902
Additions	-	184	154	338
At 31 December 2000	<u>5,023</u>	<u>20,063</u>	<u>154</u>	<u>25,240</u>
At valuation	2,050	-	-	2,050
At cost	2,973	20,063	154	23,190
Depreciation:				
At 1 April 2000	203	12,470	-	12,673
Charge for the period	26	343	-	369
At 31 December 2000	<u>229</u>	<u>12,813</u>	<u>-</u>	<u>13,042</u>
Net book value:				
At 31 December 2000	<u>4,794</u>	<u>7,250</u>	<u>154</u>	<u>12,198</u>
At 31 March 2000	<u>4,820</u>	<u>7,409</u>	<u>-</u>	<u>12,229</u>

Included in freehold land and buildings is land with a carrying value of £3,323,000 which is not depreciated.

Certain freehold land and buildings were revalued on an open market for existing use basis as at 30 September 1993

**Lee Steel Strip Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)**

for the period ended 31 December 2000

**9. TANGIBLE FIXED ASSETS (continued)**

If revalued land and buildings had not been revalued they would have been carried in the balance sheet as follows:

	31-Dec-00	31-Mar-00
	£,000	£,000
Cost	877	877
Accumulated Depreciation	(496)	(484)
	<u>381</u>	<u>393</u>

**10. STOCKS**

	31-Dec-00	31-Mar-00
Raw materials	676	974
Work in progress	2,497	2,312
Finished goods	1,345	1,402
	<u>4,518</u>	<u>4,688</u>

**11. DEBTORS**

	31-Dec-00	31-Mar-00
Trade Debtors	5,856	5,417
Amount owed by group undertakings	879	469
Other debtors	67	36
Prepayments	8	3
	<u>6,810</u>	<u>5,925</u>

**12. CREDITORS**

	31-Dec-00	31-Mar-00
Bank overdraft	-	1,766
Trade creditors	1,614	2,772
Corporation Tax	425	372
Amount owed to group undertakings	2,324	870
Other taxes and social security costs	115	142
Other creditors	562	74
Accruals	1,495	1,166
	<u>6,535</u>	<u>7,162</u>

Lee Steel Strip Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the period ended 31 December 2000

	31-Dec-00 £,000	31-Mar-00 £,000
<b>13. CREDITORS amounts falling due after more than one year</b>		
Amount owed to group undertakings	2,700	2,700
	<u>2,700</u>	<u>2,700</u>

**14. DEFERRED TAXATION**

As at 1 April 2000	1,256
Profit and Loss Account	<u>105</u>
As at 31 December 2000	<u>1361</u>

Deferred Tax is fully provided as follows

	31-Dec-00 £,000	31-Mar-00 £,000
Accelerated capital allowances	<u>1,361</u>	<u>1,256</u>

**15. CALLED UP SHARE CAPITAL**

	31-Dec-00 £	Authorised 31-Mar-00 £	31-Dec-00 £	Allotted, called up and fully paid 31-Mar-00 £
Ordinary shares of £1 each	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,500,000</u>

**16. RESERVES**

	Revaluation Reserve £,000	Profit and loss account £,000	Total £,000
At 1 April 2000	1,728	499	2,227
Profit for period	-	1,577	1,577
Transfer in respect of depreciation	(12)	12	-
	<u>1,716</u>	<u>2,088</u>	<u>3,804</u>

**Lee Steel Strip Limited**

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the period ended 31 December 2000

**17 RECONCILIATION OF SHAREHOLDERS FUNDS**

	31-Dec-00 £,000	31-Mar-00 £,000
Opening shareholders' funds	11,727	11,244
Profit / Loss on ordinary activities after taxation	1,577	1,323
Dividend		(840)
Closing shareholders funds	<u>13,304</u>	<u>11,727</u>
	31-Dec-00 £,000	31-Mar-00 £,000

**18 CAPITAL COMMITMENTS**

Contracted for but not provided	<u>275</u>	<u>118</u>
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**19 OTHER FINANCIAL COMMITMENTS**

At 31 December 2000 the company had annual commitments under non-cancelable operating leases as set out below:

	31-Dec-00 £,000	Plant and machinery 31-Mar-00 £,000
Operating leases which expire:		
within one year	30	1
within two to five year	4	51
more than five years	-	-
	<u>34</u>	<u>51</u>

**20 PENSIONS**

From 12 November 1999 employees of the company became entitled to be members of the British Steel Pension Scheme (1990) ("the scheme"). 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 Corus plc group. 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 employees. Members of pension schemes operated by the previous owners are entitled to transfer benefits to the British Steel Pension Scheme (1990). In accordance with SSAP 24, the potential costs arising from such transfers (arising from enhanced benefits and more prudent actuarial assumptions) are being spread forward over the average service lives of employees in accordance with the funding plan recommended by the scheme's actuary. The maximum potential cost is estimated to be approximately £2.5m (31 March 2000: £2.5m) of which £0.3m has been recognised at 31 December 2000 in line with SSAP 24. Further details of the scheme have been disclosed in the financial statements of AvestaPolarit Holdings Limited.

**21 Related Party Transactions**

During the period, the company purchased steel and other consumables to the value of £219,000 from Corus plc, its ultimate parent company.

The total balance due to Corus plc in respect of the above as at 31 December 2000 is £15,000

During the year, the company also sold steel and other consumables to the value of £97,000

The total amount due from Corus plc in respect of the above, as at 31 December 2000, is £nil

In accordance with the exemption allowed by Financial Reporting Standard No. 8 transactions with Avesta Sheffield AB and subsidiaries of Avesta Sheffield AB are not disclosed.

**22 Ultimate parent company**

The parent company is AvestaPolarit Holdings Limited which is a subsidiary of Avesta Sheffield AB. Avesta Sheffield AB is a subsidiary of Corus plc at 31 December 2000.

Copies of the financial statements of Avesta Sheffield AB may be obtained from PO Box 16377, S-103 27 Stockholm, Sweden.

Copies of the financial statements of Corus plc may be obtained from 15 Great Marlborough Street, London, W1V 2BS.

Details of the changes to the ownership structure since the balance sheet date are given in the Directors' report.