

UK STEEL ENTERPRISE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JANUARY 2005

Registered number: 535960



UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2005

1. Financial Statements

The directors submit herewith the audited financial statements of the Company for the period ended 1 January 2005. 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 period with an average occupancy level of 87%. Our new managed workspace at Ebbw Vale, which opened in December 2003, has filled steadily to an occupancy level of 50% by the period end. Plans to build a new Innovation Centre in Hartlepool were approved during the period with construction starting in January 2005.

Lending and investment activity was buoyant throughout the period. There were several modest share realisations during the period although strong levels of dividends contributed positively to the period's results.

A review of the level of provisioning made against loans and equity investments at the period end identified that an exceptional write back of these provisions was required. This write back contributed £621,000 towards the period's profit with £393,000 being written back to loans and £228,000 written back to equity investments.

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 profit of £1,113,100 (3 January 2004: £562,399) 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 (3 January 2004: £nil).

5. Fixed Assets

In the opinion of the directors, the market value of land and buildings is not significantly different from the book value at which these properties are included in the balance sheet. None of these properties are held for their investment potential.

6. Directors

The following directors all served throughout the period 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 PERIOD ENDED 1 JANUARY 2005

7. Directors' Interests in Shares of the Group

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

	1 Jan 2005	3 Jan 2004
A J Johnston	18,036	18,036
S R Green	47,556	44,051
V J Smith	13,549	13,549
Lord Brookman	-	-
A V L Williams	22,000	22,000
C D Gardner	7,974	12,345
M J Leahy	-	- (At date of appointment)

The interests of the directors in the Corus Group Executive Share Option Scheme and the Corus Group Share Save Scheme are shown below.

Executive share option schemes

Ordinary shares of 10p	Date of grant	Option price	3 Jan 2004		Movement during the period			1 Jan 2005		Exercise Period	
			Number		Exercised Number	Granted 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	31,866	-	-	-	-	31,866		30 Jul 1999	30 Jul 2006
	1997	118p	40,952	-	-	-	-	40,952		24 Jul 2000	24 Jul 2007
	1999	125p	96,915	-	-	-	-	96,915		30 Jun 2002	30 Jun 2009
	2000	117p	171,340	-	-	-	-	171,340		4 Feb 2003	4 Feb 2010
	2001	54p	410,103	-	-	-	-	410,103		28 Mar 2004	28 Mar 2011
			808,454	-	-	-	30,548	777,906			
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	55,876	-	-	-	-	55,876		28 Mar 2004	28 Mar 2011
			123,112	-	-	-	-	123,112			
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
			47,167	-	-	-	-	47,167			
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	95,051	-	-	-	-	95,051		28 Mar 2004	28 Mar 2011
			237,833	-	-	-	-	237,833			

Sharesave option schemes

Ordinary shares of 10p	Date of grant	Option price	3 Jan 2004		Movement during the period			1 Jan 2005		Exercise Year
			Number		Exercised Number	Granted Number	Lapsed/ cancelled Number	Number		
A J Johnston	2001	50p	23,378	-	-	-	23,378	-		
			23,378	-	-	-	23,378	-		
S R Green	2001	50p	23,378	-	-	-	-	23,378		2006
			23,378	-	-	-	-	23,378		
C D Gardner	2001	50p	23,378	-	-	-	-	23,378		2006
	2004	42p	-	-	-	6,866	-	6,866		2008
			23,378	-	-	6,866	-	30,244		

The market price of the Corus Group plc shares at 1 January 2005 was 51p and the range during the period was 29p to 56p.

UK STEEL ENTERPRISE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2005

8. Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period. 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 period ended 1 January 2005.

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 2005

The Innovation Centre
217 Portobello
Sheffield S1 4DP

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UK STEEL ENTERPRISE LIMITED

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 1 January 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield

13 May 2005

UK STEEL ENTERPRISE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1 JANUARY 2005

		Period ended 1 Jan 2005	Period ended 3 Jan 2004
	Notes	£	£
Turnover	1(h)	2,268,131	2,056,167
Other operating income	2	1,574,022	3,030,672
Staff costs	5	(1,389,840)	(1,213,760)
Depreciation		(500,878)	(432,600)
Impairment loss		-	(1,354,064)
Other operating charges		(1,594,544)	(1,617,579)
Provisions written back / (made) against loans	8	154,824	(332,069)
Operating profit	3	511,715	136,767
Other interest receivable and similar income	4	486,540	394,709
Written back to investments	8 & 11	114,845	30,923
Profit on ordinary activities before taxation		1,113,100	562,399
Taxation	6	-	-
Profit on ordinary activities after taxation	18	1,113,100	562,399

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 1 JANUARY 2005

		1 Jan 2005	3 Jan 2004
	Notes	£	£
FIXED ASSETS			
Tangible assets	9	9,028,382	9,452,800
Investment in subsidiary undertaking	10	10,000	10,000
		<u>9,038,382</u>	<u>9,462,800</u>
INVESTMENTS	11	994,267	739,868
CURRENT ASSETS			
Debtors:			
amounts falling due after more than 1 year	12	1,839,877	1,367,600
amounts falling due within 1 year	12	15,908,830	15,150,721
Cash at bank and in hand		980,129	875,788
		<u>19,723,103</u>	<u>18,133,977</u>
CREDITORS: amounts falling due within 1 year	13	(1,059,051)	(819,652)
NET CURRENT ASSETS		<u>18,664,052</u>	<u>17,314,325</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,702,434</u>	<u>26,777,125</u>
CREDITORS: amounts falling due after more than 1 year	14	(10,000,000)	(10,000,000)
ACCRUALS AND DEFERRED INCOME	15	(693,996)	(881,787)
		<u>17,008,438</u>	<u>15,895,338</u>
CAPITAL AND RESERVES			
Called up share capital	17	10,000,100	10,000,100
Profit and loss account	18	7,008,338	5,895,238
EQUITY SHAREHOLDERS' FUNDS	19	<u>17,008,438</u>	<u>15,895,338</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 13 May 2005 and were signed on its behalf by:-



S R Green
Director

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

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 Period**

These financial statements have been prepared for the 52 weeks from 4 January 2004 to 1 January 2005.

(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 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

(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 cost, 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 – 1 JANUARY 2005

(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 only 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 Group plc. 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 20, 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 due from workshop tenants for property rentals, licence fees and services provided (gas, electricity, rates etc) and is recognised as it arises.

(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 – 1 JANUARY 2005

2. OTHER OPERATING INCOME

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Share dividends and interest receivable on loans	686,329	562,455
Software license fees	10,625	3,000
Arrangement fees	1,500	150
Profit on realisation of shares	56,598	269,525
Group management charges	631,179	575,105
Amortisation of grant income (note 15)	187,791	1,620,437
	<u>1,574,022</u>	<u>3,030,672</u>

3. OPERATING PROFIT

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	500,878	432,600
Auditors' remuneration for:		
- audit	10,600	10,000
- other services	4,000	-
Hire of machinery and equipment - operating leases	74,828	79,247
Profit on disposals of fixed assets	-	1,186
Redundancy costs	35,000	-
Impairment loss	-	1,354,064

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Group interest	459,751	373,593
Bank interest	26,064	19,197
Other interest	725	1,919
	<u>486,540</u>	<u>394,709</u>

5. EMPLOYEE INFORMATION

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Wages and salaries	1,269,077	1,106,350
Social security costs	120,763	101,986
Other pension costs	-	5,424
	<u>1,389,840</u>	<u>1,213,760</u>

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

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	Number	Number
Administration	<u>35</u>	<u>33</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

6. TAXATION

The taxation comprises:

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Current tax	-	-
The current tax reconciles with the standard rate of corporation tax as follows:		
Profit on ordinary activities before tax	1,113,100	562,399
Profit on ordinary activities multiplied by standard rate in the UK 30% (3 Jan 2004: 30%)	333,930	168,720
Temporary timing differences between taxable and accounting profit:		
Accelerated capital allowances	42,019	412,232
Other timing differences	(345)	-
Losses brought forward and utilised	(207,472)	(98,611)
Permanent differences	(168,132)	(482,341)
	-	-

7. DIRECTORS' EMOLUMENTS

No directors exercised any share options in the year.

	Period ended 1 Jan 2005	Period ended 3 Jan 2004
	£	£
Aggregate emoluments	126,406	94,464

Retirement benefits are accruing to 1 (3 January 2004: 1) director under the British Steel Pension Scheme (1990) defined benefit scheme.

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

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

8. EXCEPTIONAL ITEMS – PROVISIONS AGAINST LOANS AND INVESTMENTS

During the period, the company undertook a review of the basis of calculating provisions made for irrecoverable amounts against loans and investments. As a consequence, a new methodology has been adopted with the result being a reduction in the total provisions required of £621,000 as compared to the previous method.

The resulting credit to the profit and loss account in the period ended 1 January 2005 for provisions against loans and investments was £269,669 (3 January 2004: charge of £301,146)

9. TANGIBLE FIXED ASSETS

	Long Leasehold Buildings	Freehold Land and Buildings	Assets Under Construction	Equipment	Total
	£	£		£	£
<u>COST</u>					
At 4 January 2004	4,996,247	8,332,208	-	147,754	13,476,209
Additions	-	2,265	58,625	15,570	76,460
At 1 January 2005	4,996,247	8,334,473	58,625	163,324	13,552,669
<u>DEPRECIATION</u>					
At 4 January 2004	(722,000)	(3,247,541)	-	(53,868)	(4,023,409)
Charge for period	(199,850)	(253,542)	-	(47,486)	(500,878)
At 1 January 2005	(921,850)	(3,501,083)	-	(101,354)	(4,524,287)
<u>NET BOOK VALUE</u>					
At 1 January 2005	4,074,397	4,833,390	58,625	61,970	9,028,382
At 3 January 2004	4,274,247	5,084,667	-	93,886	9,452,800

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

	£
Cost and net book value at 3 January 2004 and 1 January 2005	10,000

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)

11. INVESTMENTS

	£
At 4 January 2004	739,868
Additions	213,134
Disposals/repayments	(61,528)
Recoveries under guarantees	(12,052)
Movements in provisions	114,845
At 1 January 2005	994,267
Number of companies at 1 January 2005	51

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 – 1 JANUARY 2005

12. DEBTORS

	1 Jan 2005	3 Jan 2004
	£	£
Amounts falling due after more than one year:		
Loans (note 1(f))	1,744,221	1,271,944
Prepayments and accrued income (note 20)	95,656	95,656
	1,839,877	1,367,600
Amounts falling due within one year:		
Loans (note 1(f))	1,275,880	976,307
Amounts owed by group undertakings	14,330,014	13,508,017
Prepayments and accrued income (note 20)	93,705	85,073
Other debtors (including interest on loans (note 1(f)))	209,231	581,324
	15,908,830	15,150,721
	17,748,707	16,518,321

13. CREDITORS - Amounts falling due within one year

	1 Jan 2005	3 Jan 2004
	£	£
Trade creditors	99,555	110,685
Amounts owed to group undertakings	117,639	34,732
Other tax and social security	47,430	-
Deposits held	349,322	283,441
Other creditors	445,105	390,794
	1,059,051	819,652

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

14. CREDITORS – amounts falling due after more than one year

	1 Jan 2005	3 Jan 2004
	£	£
Amounts owed to group undertakings	<u>10,000,000</u>	<u>10,000,000</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.

15. ACCRUALS AND DEFERRED INCOME

	1 Jan 2005	3 Jan 2004
	£	£
Government, European Union and other capital grants		
At 4 January 2004	881,787	817,915
Additions	-	1,684,309
Transfer to profit and loss account (note 2)	(187,791)	(266,373)
Transfer to profit and loss account upon impairment (note 2)	-	(1,354,064)
At 1 January 2005	<u>693,996</u>	<u>881,787</u>

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

16. 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).

	1 Jan 2005	3 Jan 2004
	£	£
Short term timing differences	31,431	31,886
Accelerated capital allowances	(31,431)	(31,886)
Undiscounted provision for deferred tax	-	-

A deferred tax asset is not recognised in respect of tax losses of £3,674,550 (3 January 2004: £4,279,324) due to the uncertainty of utilisation.

Provision for foreseeable losses

	1 Jan 2005	3 Jan 2004
	£	£
At 4 January 2004	-	85,266
Transfer to provision against investments upon realisation of loss	-	(85,266)
At 1 January 2005	-	-

17. SHARE CAPITAL

	1 Jan 2005	3 Jan 2004
	£	£
Authorised:		
Ordinary shares of £1 each	12,000,000	12,000,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	10,000,100	10,000,100

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

18. RESERVES

	Profit & Loss Account
	£
At 4 January 2004	5,895,238
Retained profit for the financial period	1,113,100
At 1 January 2005	7,008,338

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1 Jan 2005	3 Jan 2004
	£	£
Profit for the financial period	1,113,100	562,399
Net increase in shareholders' funds	1,113,100	562,399
Opening shareholders' funds	15,895,338	15,332,939
Closing shareholders' funds	17,008,438	15,895,338

20. 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 period ended 1 January 2005, which are based on pension costs across the whole scheme, amounted to £Nil (3 January 2004: £5,424). A prepayment of £104,771 (3 January 2004: £104,771) is included in debtors, of which £95,656 (3 January 2004: £95,656) 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 – 1 JANUARY 2005

21. CONTINGENT LIABILITIES AND COMMITMENTS

	1 Jan 2005	3 Jan 2004
	£	£
(a) Loans and investments in share capital committed but not paid	680,000	780,500
(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	15,207	14,972
Motor vehicles, leases expiring within 2-5 years	57,862	49,827
	73,069	64,799
(c) Capital expenditure contracted but not provided for	3,185,000	-
(d) Third party loans guaranteed	30,000	30,000

22. 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 1 January 2005 are as shown below.

	1 Jan 2005	3 Jan 2004
	£	£
Yorkshire and Humberside Enterprise Fund	904,918	837,799
South Wales Technology and Enterprise Fund	416,044	843,966
North of England Venture Capital Fund	75,317	84,270
	1,396,279	1,766,035

UK STEEL ENTERPRISE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 1 JANUARY 2005

23. **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.