

European Electrical Steels Limited
Annual report for the period
ended 2 October 1999

Registered no: 2642030



European Electrical Steels Limited

Annual report for the period ended 2 October 1999

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European Electrical Steels Limited

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Directors and advisers

Directors

F C W Briët (appointed 8 November 1999)
J B McDowall (resigned 8 November 1999)

S H Best
D R Gabriel
C G Johansson
K A L Sander
E P Wallace

Secretary and registered office

I A Gilbert
Orb Works
Corporation Road
Newport
NP19 0XT

Auditors

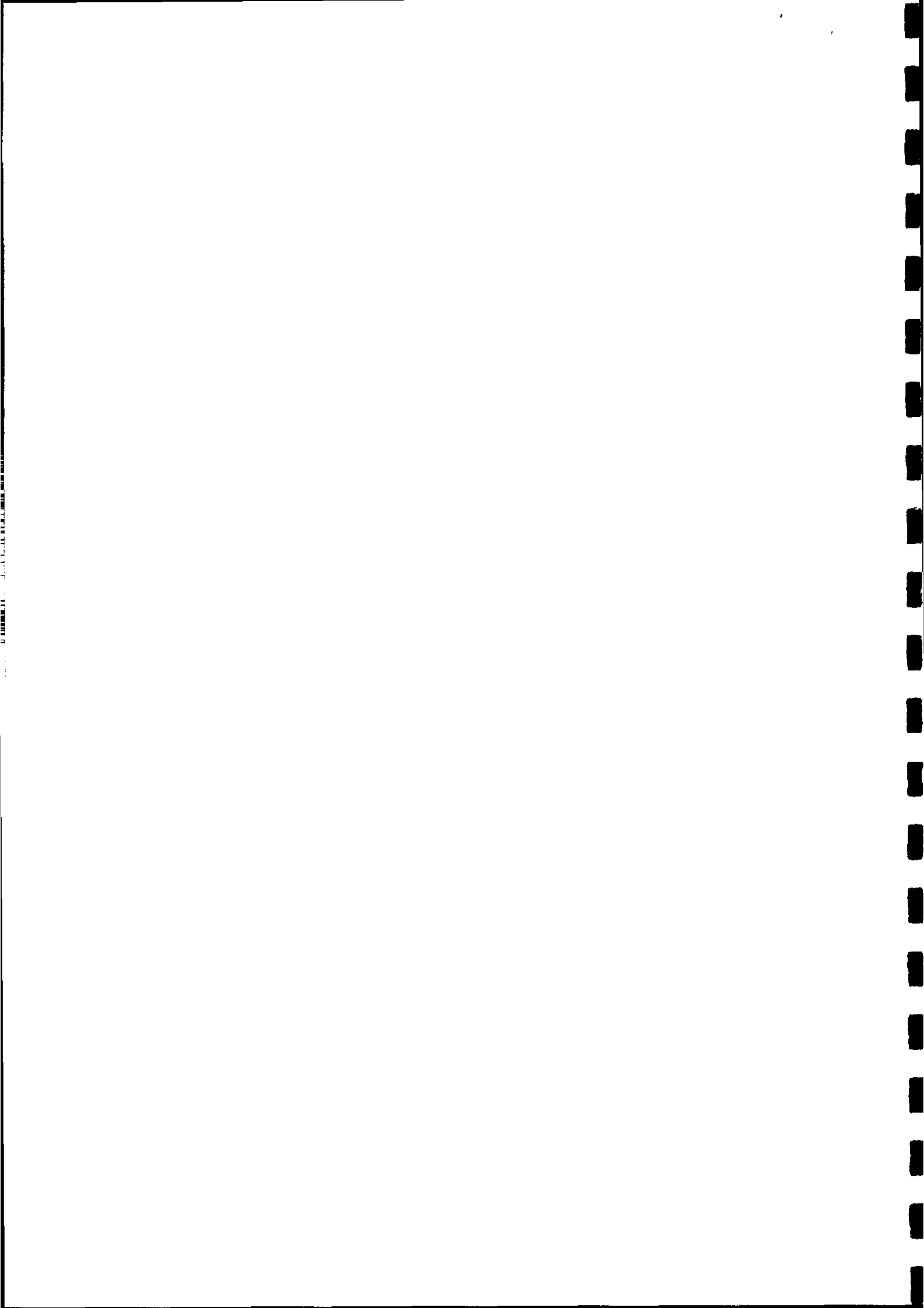
PricewaterhouseCoopers
Churchill House
Churchill Way
Cardiff
CF10 2XQ

Solicitors

Corus Group plc
15 Marylebone Road
London
NW1 5JD

Bankers

Lloyds TSB Bank plc
Newport Branch
42 Commercial Street
Newport
NP20 1WX



Directors' report for the period ended 2 October 1999

The directors present their report and the audited financial statements for the period ended 2 October 1999.

Principal activities

The principal activity of the group is the processing of steel coil to apply properties appropriate for use within the electrical industry.

Review of business

The consolidated profit and loss account is set out on page 8.

Trading conditions remained unfavourable during the period and the group's results suffered accordingly. In particular, the continued strength of Sterling against other major currencies adversely impacted on the company's exports from the UK, whilst at the same time making imports into the UK more attractive to competitors.

The level of profitability in the next financial period will depend on the development of market conditions and movements in exchange rates. The group will continue to take steps to maintain and improve its cost competitiveness.

Dividends

The directors recommend the payment of a final dividend of £254,000 in respect of the period ended 2 October 1999 (year ended 3 April 1999: £Nil). No interim dividend was paid during the period (year ended 3 April 1999: £698,000).

Changes in fixed assets

The movements in fixed assets during the period are set out in notes 11 to 13 of the financial statements. The group's interests in land are in the main fully utilised for normal trading operations and it has not been considered necessary to establish their market value.

Directors

The directors of the company at 2 October 1999, all of whom were directors for the whole of the period ended on that date, except as noted, are listed on page 1.

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Directors' interests in shares of the company

No director of the company at 2 October 1999 had any interest in the shares of the company or its subsidiaries, according to the register required to be kept by Section 325 of the Companies Act 1985.

The interests of the directors in the shares of the ultimate parent company, British Steel plc, are noted below:

	Ordinary shares	
	2 October 1999 Number	3 April 1999 Number
J B McDowall	65,256	65,256
S H Best	2,244	2,244
E P Wallace	3,682	3,682
D R Gabriel	2,233	2,233

Details of share options are as follows:-

Name	Movements in the period				2 October 1999 Number
	4 April 1999 Number	Granted Number	Waived Number	Exercised Number	
J B McDowall	430,365	101,090	-	-	531,455
S H Best	110,918	57,700	-	-	168,618
E P Wallace	67,291	36,600	-	-	103,891
D R Gabriel	-	53,400	-	-	53,400

The exercise prices and dates of exercise in respect of the options held at 2 October 1999 are as follows:-

	Number of shares	Price per share	Date of Exercise
British Steel Sharesave scheme	43,274	50.0p to 128.0p	1 April 1994 to 30 September 2003
British Steel Executive scheme	814,090	57.0p to 176.0p	30 July 1995 to 30 June 2009

Employees

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Employees (continued)

The group recognises its responsibilities towards disabled people and employs them where suitable work can be found. Where possible, effort is made to find appropriate alternative jobs for those who become disabled while working for the group.

Group research and development activities

The group has its own research and development facility and in addition commissions programmes from external sources appropriate to its business.

Political and charitable contributions

The group made no political contributions in the period. Charitable contributions amounted to £366 (year ended 3 April 1999: £5,939).

Payment to creditors

The company does not have trade creditors. The average creditor payment period of the group's UK subsidiaries at 2 October 1999 was 53 days (3 April 1999: 56 days).

It is the policy of the company and its UK subsidiaries to establish terms of payment with suppliers when agreeing the terms of business transactions. The aim is to despatch cheques on the due date or, where other means of payment are adopted, to deliver funds to suppliers as if payment had been made by cheque.

Year 2000

The Group is well advanced in its preparations for the Year 2000 date change by participating in internal projects established by its ultimate parent company, Corus Group plc (formerly British Steel plc), to address the issue. The Group estimates that it will spend approximately £1,200,000 in total over the duration of the whole Year 2000 project. In accordance with accounting policies, all remediation and software costs are written off as incurred. Further particulars of each project are disclosed within the accounts of British Steel plc.

Post balance sheet event

Details of the post balance sheet event are contained in Note 30 to the accounts.

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Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'I A Gilbert', with a long horizontal stroke extending to the right.

I A Gilbert
Company Secretary
25 November 1999

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group 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 2 October 1999. 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 safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

A handwritten signature in black ink, appearing to read 'I. A. Gilbert', with a long horizontal stroke extending to the right.

I A Gilbert
Company Secretary
25 November 1999

Report of the auditors to the members of European Electrical Steels Limited

We have audited the financial statements on pages 8 to 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established 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 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.

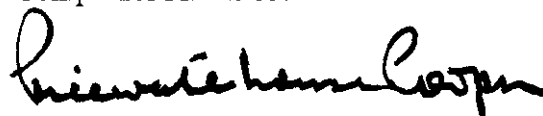
Basis of audit opinion

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 affairs of the company and the group at 2 October 1999 and of the profit and cash flow of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cardiff
25 November 1999

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Consolidated profit and loss account for the period ended 2 October 1999

	Notes	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Turnover	2	72,365	157,876
Cost of sales		(61,494)	(132,439)
Gross profit		10,871	25,437
Net operating expenses	3	(10,485)	(23,267)
Exceptional operating expenses: Redundancy and related costs		-	(926)
Operating profit		386	1,244
Interest receivable and similar income		197	634
		583	1,878
Interest payable and similar charges	6	(140)	(166)
Profit on ordinary activities before taxation	7	443	1,712
Tax on profit on ordinary activities	8	65	(1,121)
Profit for the financial period		508	591
Dividends	10	(254)	(698)
Retained profit/(loss) for the period	22	254	(107)

Continuing operations

All items dealt with in arriving at operating profit for the periods ended 2 October 1999 and 3 April 1999, respectively, relate to continuing operations.

Shareholders' funds

A statement of the movement on reserves is given in note 22 to the financial statements and a reconciliation of movements in shareholders' funds is given in note 23.

Historical cost profits and losses

There is no difference between the profit on ordinary activities before taxation, and the retained profit for the period stated above, and their historical cost equivalents.

**Statement of total recognised gains and losses
for the period ended 2 October 1999**

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Profit for the financial period	508	591
Other recognised gains and losses for the period:		
Currency translation differences on foreign currency net investments	(514)	(70)
Total recognised gains and losses relating to the period	(6)	521

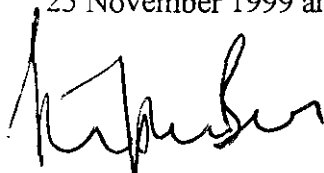
European Electrical Steels Limited

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Balance sheets at 2 October 1999

	Notes	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Fixed assets					
Intangible assets	11	173	-	23	-
Tangible assets	12	40,523	-	38,748	-
Investments	13	-	43,667	-	43,667
		<u>40,696</u>	<u>43,667</u>	<u>38,771</u>	<u>43,667</u>
Current assets					
Stocks	14	20,512	-	21,482	-
Debtors:					
Amounts falling due within one year	15	34,116	3,001	33,963	2
Cash at bank and in hand		9,164	3,612	12,989	6,574
		<u>63,792</u>	<u>6,613</u>	<u>68,434</u>	<u>6,576</u>
Creditors: amounts falling due within one year	16	<u>(29,391)</u>	<u>(1,373)</u>	<u>(31,807)</u>	<u>(1,122)</u>
Net current assets		<u>34,401</u>	<u>5,240</u>	<u>36,627</u>	<u>5,454</u>
Total assets less current liabilities		<u>75,097</u>	<u>48,907</u>	<u>75,398</u>	<u>49,121</u>
Creditors: amounts falling due after more than one year	17	(1,474)	-	(1,482)	-
Provisions for liabilities and charges	18	(263)	-	(268)	-
Accruals and deferred income	19	(125)	-	(153)	-
Net assets		<u>73,235</u>	<u>48,907</u>	<u>73,495</u>	<u>49,121</u>
Capital and reserves					
Called-up share capital	21	42,667	42,667	42,667	42,667
Profit and loss account	22	30,568	6,240	30,828	6,454
Total equity shareholders' funds	23	<u>73,235</u>	<u>48,907</u>	<u>73,495</u>	<u>49,121</u>

The financial statements on pages 8 to 28 were approved by the board of directors on 25 November 1999 and were signed on its behalf by:



Stephen Best
Director

Consolidated cash flow statement for the period ended 2 October 1999

	Note	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Net cash inflow from continuing operations (reconciliation to operating profit on page 12)		1,924	10,396
Returns on investments and servicing of finance			
Interest received		202	743
Interest paid		(140)	(166)
		62	577
Taxation			
UK corporation tax paid		(32)	(1,517)
Overseas tax paid		(223)	(1,659)
		(255)	(3,176)
Capital expenditure			
Purchase of tangible fixed assets		(4,710)	(7,278)
Purchase of intangible fixed assets		(176)	-
Sale of tangible fixed assets		55	-
		(4,831)	(7,278)
Equity dividends paid		-	(4,598)
Cash outflow before management of liquid resources and financing		(3,100)	(4,079)
Management of liquid resources			
Cash placed on short-term deposit		(961)	(2,644)
Financing			
Repayment of bank loans		(65)	(121)
		(65)	(121)
Decrease in cash in the period	25	(4,126)	(6,844)

Consolidated cash flow statement for the period ended 2 October 1999 (continued)

Reconciliation of operating profit to net cash inflow from operations

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Operating profit - continuing operations	386	1,244
Amortisation of government grants	(28)	(58)
Amortisation of intangible fixed assets	26	34
Depreciation of tangible fixed assets	2,005	3,948
Profit on disposal of fixed assets	(3)	-
Movement on pension provision	55	217
Decrease/(increase) in spares, loose plant and tools	267	(425)
Decrease in stocks	970	827
Decrease in debtors	1,077	12,787
Decrease in creditors	(2,258)	(8,471)
Exchange rate differences	(240)	(229)
Rationalisation costs (realised)/provided	(3)	691
Utilisation of rationalisation provision	(330)	(169)
Net cash inflow from continuing operations	<u>1,924</u>	<u>10,396</u>

**Notes to the financial statements
for the period ended 2 October 1999**

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation. Acquisitions are accounted for using the acquisition method of accounting. Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the attributable net assets acquired. Goodwill arising on the acquisition of subsidiary and associated undertakings is written off immediately against reserves.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Deferred taxation is accounted for using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at each balance sheet date except where forward cover has been obtained, when the covered rate is used. Non monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction or the covered rate. Profit and loss account items in foreign currencies are translated into sterling at the average rates ruling during the period.

Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the group, related works and administrative overheads are included in cost. Commissioning costs and interest attributable to expenditure on assets in the course of construction are not capitalised but written off to revenue as incurred.

Included in tangible fixed assets are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value. Also included within tangible fixed assets are spares against which provisions are made where necessary to cover slow moving and obsolete items.

Repairs and renewals are charged to the profit and loss account as incurred.

Depreciation of tangible and intangible fixed assets

Depreciation is provided so as to write off the net book value of tangible and intangible fixed assets including those held under finance leases. They are depreciated from the dates they are brought into use over their estimated useful lives, or in the case of leased assets, over the lease period if shorter. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation is provided where an asset is expected to become obsolete before the end of its normal useful life. No further depreciation is provided in respect of assets which are fully written down but are still in use.

The estimated useful lives for the main categories of tangible fixed assets are:

Freehold buildings	25 - 50 years
Plant and machinery	
- computers, office equipment and furniture and motor vehicles	3 - 10 years
- other	3 - 25 years

Licences are depreciated over the term of the individual licence.

Research and development expenditure

Revenue expenditure on research and development is charged to the profit and loss account as it is incurred.

Stocks

Stocks of raw materials are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Stocks of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost of partly processed and finished products comprises cost of production including works overheads. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and cost of disposal. Provisions are made to cover slow moving and obsolete items.

Pension costs

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. Differences between the amounts funded and amounts charged to profit and loss account are treated as either provisions or prepayments in the balance sheet. Further details are given in note 20.

Government grants

Grants related to expenditure on tangible fixed assets are credited to the profit and loss account over a period approximating to the lives of qualifying assets. Total grants receivable less the amounts credited to the profit and loss account at the balance sheet date are included in the balance sheet as deferred income.

2 Turnover and profit on ordinary activities before taxation

The group's turnover and profit on ordinary activities before taxation all arose from one class of business. An analysis of turnover by geographical segment is shown below:-

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
United Kingdom	20,647	44,895
Rest of Europe	27,070	65,350
Rest of World	24,648	47,631
	<u>72,365</u>	<u>157,876</u>

The group's operating profit and net assets have not been analysed by geographical segment as the directors believe that this disclosure would be seriously prejudicial to the interests of the group.

3 Net operating expenses

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Distribution costs	3,435	8,497
Administrative expenses	7,050	14,770
	<u>10,485</u>	<u>23,267</u>

4 Directors' emoluments

The remuneration paid to the directors of European Electrical Steels Limited was:

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Emoluments (including benefits in kind)	<u>58</u>	<u>113</u>

Pension benefits are accruing to one director under defined benefit pension arrangements.

5 Employee information

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

	6 months ended 2 October 1999 Number	Year ended 3 April 1999 Number
Production	626	654
Administration	241	241
	<u>867</u>	<u>895</u>

5 Employee information (continued)

Staff costs (for the above persons):

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Wages and salaries	8,864	18,756
Social security costs	1,061	2,391
Other pension costs (see note 20)	775	1,662
	<u>10,700</u>	<u>22,809</u>

6 Interest payable and similar charges

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	<u>140</u>	<u>166</u>

7 Profit on ordinary activities before taxation

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Amortisation of government grants	28	58
Profit on disposal of fixed assets	<u>3</u>	<u>-</u>
And after charging:		
Amortisation of intangible fixed assets	26	34
Depreciation charge for the period:		
Tangible owned fixed assets	2,005	3,948
Auditors' remuneration for audit services (6 months ended 2 October 1999: company £12,000; year ended 3 April 1999: company £12,530)	65	86
Hire of plant and machinery - operating leases	117	231
Research and development expenditure	<u>314</u>	<u>660</u>

Other fees payable to the auditors in respect of non audit services during the period ended 2 October 1999 amounted to £45,000 (year ended 3 April 1999: £236,000).

8 Taxation on profit on ordinary activities

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Tax on profit on ordinary activities		
United Kingdom corporation tax at 30% (year ended 3 April 1999 : 31%)		
Current	-	3,930
Less double tax relief	-	(3,366)
Group relieve receivable	(612)	-
Overseas taxation	552	729
Deferred taxation		
UK	-	(166)
Overseas	(5)	(6)
	<u>(65)</u>	<u>1,121</u>

9 Profit for the period

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial period, before dividends payable was £40,000 (year ended 3 April 1999: £6,256,000 profit).

10 Dividends

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Dividends on equity shares:		
6 months ended 2 October 1999 final proposed of 0.149 pence per share	254	-
Year ended 3 April 1999 interim paid of 0.409 pence per share	-	698
	<u>254</u>	<u>698</u>

11 Intangible fixed assets

Group

	Licences £'000
Cost	
At 4 April 1999	170
Additions	176
Exchange rate translation differences	(4)
At 2 October 1999	342
Depreciation	
At 4 April 1999	147
Charge for period	26
Exchange rate translation differences	(4)
At 2 October 1999	169
Net book value of intangible fixed assets At 2 October 1999	173
Net book value of intangible fixed assets At 3 April 1999	23

12 Tangible fixed assets

Group

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 4 April 1999	5,765	91	69,300	5,307	80,463
Exchange rate translation differences	(85)	-	(386)	(7)	(478)
Additions	-	5	204	4,088	4,297
Transfers	-	-	323	(323)	-
Disposals	-	-	(1,217)	-	(1,217)
At 2 October 1999	5,680	96	68,987	9,065	83,065
Depreciation					
At 4 April 1999	3,332	46	43,193	-	46,571
Exchange rate translation differences	(38)	(1)	(241)	-	(280)
Charge for the period	87	2	1,916	-	2,005
Disposals	-	-	(1,165)	-	(402)
At 2 October 1999	3,381	47	43,703	-	47,131
Net book value at 2 October 1999	2,299	49	24,521	9,065	35,934
Spares, loose plant and tools					4,589
Net book value of tangible fixed assets at 2 October 1999					40,523
Net book value at 3 April 1999	2,433	45	26,107	5,307	33,892
Spares, loose plant and tools					4,856
Net book value of tangible fixed assets at 3 April 1999					38,748

12 Tangible fixed assets (continued)

Company

The company has no tangible fixed assets.

13 Fixed asset investments

Company

Interests in subsidiary undertakings

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
Cost and net book value At 2 October 1999 and 3 April 1999	43,667	43,667

Interests in subsidiary undertakings

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Orb Electrical Steels Limited	England & Wales	Ordinary shares	100%) Processing) and sale) of electrical
British Transformer Cores Limited	England & Wales	Ordinary shares	100%) steels)
Surahammars Bruks AB	Sweden	Ordinary shares	100%)

Surahammars Bruks AB in turn holds 100% of the share capital of two subsidiaries:-

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
NorMag Incorporated	United States	Ordinary shares	100%) Processing and) sale of
CorMag Incorporated	Canada	Ordinary shares	100%) electrical steels

All the above subsidiaries have been included in the group consolidation. Surahammars Bruks AB, NorMag and CorMag have drawn up interim accounts to 2 October 1999 for consolidation purposes owing to the non standard period of account, due to the merger between British Steel plc and Koninklijke Hoogovens.

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14 Stocks

	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Raw materials and consumables	2,837	-	3,192	-
Work in progress	13,386	-	12,251	-
Finished goods and goods for resale	4,289	-	6,039	-
	<u>20,512</u>	<u>-</u>	<u>21,482</u>	<u>-</u>

15 Debtors

	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Amounts falling due within one year				
Trade debtors	23,648	-	25,250	-
Amounts owed by group undertakings:				
Parent company and fellow subsidiary undertakings	7,705	-	7,272	-
Subsidiary undertakings	-	3,000	-	-
Receivable for group relief	1,235	-	-	-
Other debtors	1,528	1	1,441	2
	<u>34,116</u>	<u>3,001</u>	<u>33,963</u>	<u>2</u>

16 Creditors: amounts falling due within one year

	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Bank loans and overdrafts	342	-	912	-
Trade creditors	14,485	-	16,885	-
Amounts owed to group undertakings:				
Parent company and fellow subsidiary undertakings	6,763	-	5,850	-
Subsidiary undertakings	-	173	-	184
Corporation tax	1,118	900	170	880
ACT payable	-	-	32	32
Other taxation and social security payable	1,120	-	1,211	-
Other creditors	5,309	46	6,747	26
Dividend payable	254	254	-	-
	<u>29,391</u>	<u>1,373</u>	<u>31,807</u>	<u>1,122</u>

The bank loans and overdrafts are not secured and are repayable on demand.

Rationalisation and redundancy

Included within other creditors of the group and due in less than one year is a balance of £346,000 (year ended 3 April 1999: £691,000) which represents the current portion of the total liability.

17 Creditors: amounts falling due after more than one year

	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Bank loan	83	-	146	-
Other creditors	1,391	-	1,336	-
	<u>1,474</u>	<u>-</u>	<u>1,482</u>	<u>-</u>

The bank loan is unsecured and interest is calculated at base plus 0.25%.

**17 Creditors: amounts falling due after more than one year
(continued)**

Bank loans and overdrafts

	Group 2 October 1999 £'000	Company 2 October 1999 £'000	Group 3 April 1999 £'000	Company 3 April 1999 £'000
Repayable as follows:				
On demand	342	-	912	-
Between one and two years	83	-	125	-
Between two and five years	-	-	21	-
	<u>425</u>	<u>-</u>	<u>1,058</u>	<u>-</u>

18 Deferred tax

	Group Deferred taxation £'000	Company Deferred taxation £'000
At 4 April 1999	268	-
Credited to the profit and loss account	(5)	-
At 2 October 1999	<u>263</u>	<u>-</u>

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

Group	Amount provided		Amount unprovided	
	2 October 1999 £'000	3 April 1999 £'000	2 October 1999 £'000	3 April 1999 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	263	268	5,046	4,984
Other	-	-	1,486	1,415
	<u>263</u>	<u>268</u>	<u>6,532</u>	<u>6,399</u>

No deferred taxation has been provided on the untaxed reserve of £2,508,000 in Surahammars Bruks AB on the grounds that the directors believe that, for the foreseeable future, the liability will not crystallise.

19 Accruals and deferred income**Group**

Government grants	£'000
At 4 April 1999	153
Amortisation in period	(28)
At 2 October 1999	<u>125</u>

20 Pension and similar obligations

European Electrical Steels Limited, Orb Electrical Steels Limited and British Transformer Cores Limited participate in a group pension scheme operated by British Steel Limited. This is a funded, 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.

This scheme was established on 1 October 1990 and members of the previous scheme transferred their benefits into the scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. The latest actuarial assessment of the scheme was at 31 March 1999. The next formal valuation will be carried out as at 31 March 2002. Particulars of the valuation are contained in the accounts of British Steel plc. The pension costs of the above companies for the period ended 2 October 1999 amounted to £209,000 (year ended 3 April 1999: £450,000).

Surahammars Bruks AB operates four separate pension schemes as part of the Swedish State Scheme. All schemes are defined contribution schemes and the contributions payable by the company during the period ended 2 October 1999 amounted to £522,000 (year ended 3 April 1999 : £1,141,000). Three of the schemes are externally funded, however for one scheme the total liability of £1,285,000 (3 April 1999: £1,251,000) is provided for and included in long term liabilities. The company also contributes to a fund which guarantees payment should the company be unable to meet its commitments.

NorMag Inc maintains a defined benefit pension plan covering substantially all of their employees. The benefits are based on final salary and number of years service. The plan is operated under trust and its assets are invested independently of the group. The plan is fully funded and the company has provided in full for its obligations thereunder. The pension costs to the company for the period ended 2 October 1999 amounted to £24,000 (year ended 3 April 1999: £38,000).

CorMag Inc maintains a defined contribution pension scheme. The pension cost to the company for the period ended 2 October 1999 amounted to £20,000 (year ended 3 April 1999: £33,000).

European Electrical Steels Limited

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21 Called-up share capital

	2 October 1999 £'000	3 April 1999 £'000
Authorised		
180,000,000 ordinary shares of 25p each	45,000	45,000
Allotted, called up and fully paid		
170,667,600 ordinary shares of 25p each	42,667	42,667

22 Reserves

Group	Profit and loss account £'000
At 4 April 1999	30,828
Exchange losses arising on consolidation of subsidiaries	(514)
Retained profit for the period	254
At 2 October 1999	30,568
Company	Profit and loss account £'000
At 4 April 1999	6,454
Result for the period	(214)
At 2 October 1999	6,240

23 Reconciliation of movements in equity shareholders' funds

	6 months ended 2 October 1999 £'000	Year Ended 3 April 1999 £'000
Profit for the financial period	508	591
Dividends	(254)	(698)
	254	(107)
Other recognised losses	(514)	(70)
Net addition to equity shareholders' funds	(260)	(177)
Opening equity shareholders' funds	73,495	73,672
Closing equity shareholders' funds	72,235	73,495

24 Reconciliation of net cash flow to movement in net funds

	6 months ended 2 October 1999 £'000	Year ended 3 April 1999 £'000
(Decrease) in cash in the period	(4,126)	(6,844)
Decrease in debt	63	121
Increase in liquid resources	961	2,644
Change in net funds resulting from cash flows	(3,102)	(4,079)
Non-cash items:		
Translation differences	(90)	117
Movement in net funds in the period	(3,192)	(3,962)
Opening net funds	11,931	15,893
Closing net funds	8,739	11,931

25 Analysis of net funds

	At 4 April 1999 £'000	Cash flow £'000	Exchange movements £'000	At 2 October 1999 £'000
Net cash				
Cash at bank and in hand	12,989	(3,737)	(88)	9,164
Less: deposits treated as liquid resources	(2,644)	(961)	-	(3,605)
	10,345	(4,698)	(88)	5,559
Bank overdrafts	(787)	572	(4)	(219)
	9,558	(4,126)	(92)	5,340
Liquid resources				
Deposits included in cash	2,644	961	-	3,605
Debt				
Debt due after one year	(146)	63	-	(83)
Debt due within one year	(125)	-	2	(123)
	(271)	63	2	(206)
Total	11,931	(3,102)	(90)	8,739

26 Capital commitments

	Group 2 October 1999 £'000	Group 3 April 1999 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>456</u>	<u>3,792</u>

27 Financial commitments

At 2 October 1999 the group had annual commitments under non-cancellable operating leases as follows:

	2 October 1999 Land and buildings £'000	2 October 1999 Other £'000	3 April 1999 Land and buildings £'000	3 April 1999 Other £'000
Expiring within one year	-	19	-	98
Expiring between two and five years inclusive	77	13	-	45
Expiring in more than five years	-	-	70	-
	<u>77</u>	<u>32</u>	<u>70</u>	<u>143</u>

28 Related party transactions

The Group has identified the following transactions which fall to be disclosed under the terms of Financial Reporting Standard Number 8, "Related Party Transactions".

British Steel plc

At 2 October 1999, British Steel plc held 75% of the equity share capital of the company.

In the course of normal trading, the Group enters into transactions with British Steel plc and its subsidiaries for the purchase and sale of steel products. The total of such purchases in the period amounted to £12,298,000 (year ended 3 April 1999: £26,496,000) and the total sales amounted to £6,122,000 (year ended 3 April 1999: £13,622,000). In addition, the Group purchases certain management and administrative services from British Steel plc, which amounted to £729,000 during the period ended 2 October 1999 (year ended 3 April 1999: £1,766,000).

28 Related party transactions (continued)

The total amounts owed to British Steel plc and its subsidiaries in respect of such transactions was £6,763,000 (year ended 3 April 1999 : £5,850,000) and the total amounts due from British Steel plc and its subsidiaries was £7,705,000 (year ended 3 April 1999: £7,272,000). No amounts were written off in the period in respect of debts due to or from British Steel plc and its subsidiaries.

All of the above transactions were carried out on an arm's length basis.

SSAB Svenskt Stål AB

At 2 October 1999, SSAB Tunnlåt AB held 25% of the equity share capital of the company.

In the course of normal trading, the Group enters into transactions with SSAB Tunnlåt AB for the purchase of steel coil. The total of such purchases in the period amounted to £8,974,000 (year ended 3 April 1999: £18,511,000). The total amounts owed to SSAB Tunnlåt AB in respect of such transactions was £2,385,000 (year ended 3 April 1999: £1,791,000). No amounts were written off in the period in respect of debts due to SSAB Tunnlåt AB.

All of the above transactions were carried out on an arm's length basis.

29 Ultimate and immediate parent company

Since the period end British Steel plc has merged with Koninklijke Hoogovens NV to become Corus Group plc. The directors regard Corus Group plc, a company registered in England and Wales, as the company's controlling related party and ultimate parent company. According to the register kept by the company, British Steel plc had a 75% interest in the equity share capital of European Electrical Steels Limited at 2 October 1999. The results and state of affairs of the company are only consolidated by British Steel plc, the consolidated financial statements of which are available to the public and may be obtained from Corus Group plc, 15 Marylebone Road, London, NW1 5JD.

30 Post balance sheet event

Swedish Staff Pension Insurance (SPP) announced on 26 October 1999, that based on certain specified conditions, an amount of about £784,000 has been reserved on account for Surahammars Bruks AB for pension purposes. The amount represents a surplus allocated by SPP for pension funds deposited by Surahammars Bruks AB in recent years. The time and the conditions regarding how the funds will be transferred have not been determined.