

# **Industrial Steels (UK) Limited**

## **Annual Report & Accounts**

**For the year ended 3 April 1999**

**Registered Number 2755939**



# **Industrial Steels (UK) Limited**

## **Annual Report for the financial year ended 3 April 1999**

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# **Industrial Steels (UK) Limited**

## **Directors and advisers**

### **Directors**

Mr R W Triffitt (Chairman)  
Mr K Wilkinson  
Mr S W Lindsay

### **Secretary**

Mrs A L Scandrett

### **Registered Office**

15 Marylebone Road  
London  
NW1 5JD

### **Auditors**

PricewaterhouseCoopers  
Birmingham

# **Industrial Steels (UK) Limited**

## **Directors' report**

### **for the financial year ended 3 April 1999**

The directors present herewith their report and audited financial statements for the period ended 3 April 1999.

#### **Principal activities**

The principal activity of the business is the performance of world-wide trade in steel.

#### **Review of business and main activities**

The profit and loss account for the period is set out on page 8.

The directors do not recommend the payment of a dividend (1998 £Nil). The retained profit of £603,286 (1998 : £649,182) will be transferred to reserves.

The level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

#### **Post Balance Sheet Event**

On 6 October 1999, British Steel plc, the Company's parent company, was acquired by Corus Group (formerly BSKH plc) through an exchange of British Steel plc shares for shares of Corus Group plc pursuant to a scheme of arrangement under section 425 of the Companies Act 1985. On the same date, Corus Group plc acquired, by a public offer, Koninklijke Hoogovens N.V., a company registered in the Netherlands.

Corus Group plc is incorporated and registered in England and Wales.

#### **Directors**

The directors of the company at 3 April 1999, all of whom served throughout the year, are listed on page 1.

# Industrial Steels (UK) Limited

## Directors' report

### for the financial year ended 3 April 1999 (continued)

#### Directors' interests in shares

The interests of the directors at 3 April 1999 in the ordinary shares of British Steel plc, the company's ultimate holding company at that date, were as follows:

	Ordinary Shares	
	3 April 1999	28 March 1998
	Number	Number
Mr R W Triffitt	14,500	-
Mr K Wilkinson	-	-
Mr S W Lindsay	14,957	457

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

#### Directors' interests in share options

The British Steel UK Executive Share Option Scheme is for senior executives of British Steel and the share options are exercisable between the third and tenth anniversary of the grant. Prices at which options are granted are the average of the market value of an ordinary share on the London Stock Exchange on the three business days immediately preceding the date of grant.

Executive Scheme	No of options at start of year	During the year		At end of year
		Granted	Exercised	
Mr R W Triffitt	79,100	-	-	79,100
Mr K Wilkinson	93,200	-	-	93,200
Mr S W Lindsay	9,000	-	-	9,000

Executive options were granted on 30 June 1999 at £1.65 to Mr R W Triffitt (44,700 options), Mr K Wilkinson (56,300 options) and Mr S W Lindsay (18,100 options).

Prices at which options are granted under the British Steel Sharesave Scheme must be not less than 80% of the average of the market value of an ordinary share on the London Stock Exchange on the three business days immediately preceding the date of offer of options. Prior to 1997, options were normally exercised on completion of a five year savings contract. In 1997, the rules of the scheme were amended to allow future options granted to be exercisable on completion of a three or five year savings contract at the choice of the employee.

Sharesave Scheme	No of options at start of year	During the year		At end of year
		Granted	Exercised	
Mr R W Triffitt	28,691	-	14,500	14,191
Mr K Wilkinson	10,781	-	-	10,781
Mr S W Lindsay	23,128	-	14,500	8,628

The share options were exercised at 50p on 1 April 1998.

# **Industrial Steels (UK) Limited**

## **Directors' report**

### **for the financial year ended 3 April 1999 (continued)**

#### **Payment to Creditors**

It is the policy of the company 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.

Trade creditors days as at the period end are 48 days (1998 : 60 days).

#### **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 3 April 1999 and that applicable accounting standards have been followed.

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.

# **Industrial Steels (UK) Limited**

## **Directors' report**

### **for the financial year ended 3 April 1999 (continued)**

#### **European Monetary Union (EMU)**

An internal EMU project was established within the British Steel Group at the end of 1996, designed to ensure that businesses within the Group are prepared for the introduction of the euro. A central steering group has been set up comprising senior personnel from each function affected by EMU, together with a project manager. Accordingly, the company has appointed a compliance manager who is responsible, under the guidance of the project manager, for EMU matters within the business.

The project addresses all areas of the company's activities affected by EMU, such as information systems, commercial strategy, treasury management, training and legal issues. Project costs largely relate to ensuring that information systems are euro-compliant. However, as the company's business systems are being replaced or upgraded for Year 2000 compliance at no additional cost, the company has been successful in keeping these costs to a minimum. In the short term, therefore, the Company does not expect the costs or benefits from the introduction of the Euro to have a material effect on its trading performance.

#### **Year 2000**

The company experienced little disruption or malfunctions since the turn of the year arising from its own, suppliers' or customers' computer systems or equipment with embedded date reliant computer chips. The sound Y2K preparations that had been undertaken over the previous three years enabled the company to follow their normal working practices across the New Year period and beyond.

The following factors were key to the company analysis of the impact of the year 2000 and providing solutions to the issues arising therefrom:

The impact on internal IT, embedded chip systems and business processes with particular focus on process control systems.

The ability of key customers and suppliers to deal with the year 2000 issue and therefore to continue to trade.

The Company's contingency plans to address potential year 2000 issues.

The Company's contingency plans still remain in place for all business critical systems.

# **Industrial Steels (UK) Limited**

## **Directors' report**

### **for the financial year ended 3 April 1999 (continued)**

#### **Year 2000 (continued)**

The following summarises management's actions to mitigate the effects identified by the impact analysis at a Corus group level. The company participated in this group plan.

Appointment of a full-time executive to oversee the year 2000 programme.

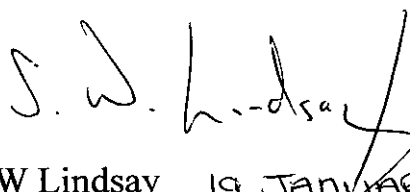
Establishment of a central project office to co-ordinate and monitor the year 2000 programme. Year 2000 compliance managers appointed at each business.

Formal mechanism established for reporting the compliance and readiness status of businesses to the central project office.

Internal audit review of the year 2000 programme process and returns submitted to the central project office by businesses.

Board review of progress reports on the year 2000 programme.

#### **By order of the board**



S W Lindsay 19 JANUARY 2000  
Director



# **Industrial Steels (UK) Limited**

## **Report of the auditors to the members of Industrial Steels (UK) Limited**

We have audited the financial statements on pages 8 to 16.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report including, as described on page 4, 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 of 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 judgments 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 evaluate the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 3 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Birmingham**

*20 January 2000*

**Industrial Steels (UK) Limited**  
**Profit and loss account**  
**for the financial year ended 3 April 1999**

	Notes	1999 £	1998 £
Turnover	2	42,924,423	31,820,831
Operating costs	3	<u>(41,991,344)</u>	<u>(31,062,232)</u>
<b>Profit on ordinary activities before interest</b>		933,079	758,599
Interest receivable	4	-	185,610
Interest payable	5	<u>(57,047)</u>	<u>-</u>
Profit on ordinary activities before taxation		876,032	944,209
<b>Taxation</b>	6	<u>(272,746)</u>	<u>(295,027)</u>
<b>Profit for the financial year</b>		<u><u>603,286</u></u>	<u><u>649,182</u></u>

The above results relate wholly to continuing operations.

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of recognised gains and losses has been presented.

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

**Reconciliation of movement in equity shareholders' funds**  
**for the financial year ended 3 April 1999**

	1999 £	1998 £
Opening equity shareholders' funds	4,350,777	3,701,595
Profit for the period	<u>603,286</u>	<u>649,182</u>
Closing equity shareholders' funds	<u><u>4,954,063</u></u>	<u><u>4,350,777</u></u>

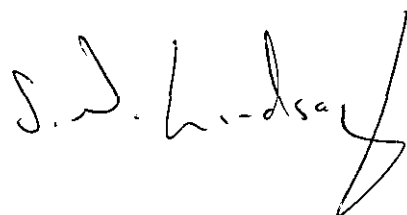
# Industrial Steels (UK) Limited

## Balance sheet

as at 3 April 1999

	Notes	1999 £	1998 £
<b>Current Assets</b>			
Stocks	9	749,333	102,844
Debtors	10	9,675,396	8,797,904
Cash at bank and in hand		<u>500</u>	<u>260</u>
		10,425,229	8,901,008
<b>Creditors:</b>			
<b>amounts falling due within one year</b>	11	<u>(5,471,166)</u>	<u>(4,550,231)</u>
<b>Total assets less current liabilities</b>		<u><b>4,954,063</b></u>	<u><b>4,350,777</b></u>
<b>Capital and reserves</b>			
Called up share capital	13	1,657,666	1,657,666
Profit and loss account	14	<u>3,296,397</u>	<u>2,693,111</u>
		<u><b>4,954,063</b></u>	<u><b>4,350,777</b></u>

The financial statements were approved by the Board on 19 January 2000 and signed on its behalf.



**S W Lindsay**  
**Director**

The notes on pages 10 to 16 form part of these financial statements.

# **Industrial Steels (UK) Limited**

## **Notes to the financial statements**

### **for the financial year ended 3 April 1999**

#### **1 Principal accounting policies**

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

##### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

##### **Turnover**

Turnover, which excludes value added tax, represents the sales value of all goods despatched during the period. The point of recognition of sale is recognised as the date of shipment.

##### **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 crystallise.

##### **Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the year end, or where appropriate at forward contract rates. Exchange rate differences are taken to the profit and loss account.

##### **Operating Leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

##### **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. Further details are given in note 15.

##### **Cashflow**

The financial statements do not include a cash flow statement because the company, as a wholly owned subsidiary, is exempt from the requirements to prepare such a statement under Financial Reporting Standard Number 1 (Revised) "Cash Flow Statements".

##### **Software Costs**

Software costs are expensed as incurred.

# Industrial Steels (UK) Limited

## Notes to the financial statements

### for the financial year ended 3 April 1999 (continued)

#### 2 Turnover

Geographical market analysis of turnover by destination is set out below:

	1999 £	1998 £
United Kingdom	4,975,471	1,323,944
European Union (excluding UK)	13,662,195	9,043,663
Europe (excluding EU)	1,272,505	434,012
North America	4,446,011	4,850,286
South America	4,021,726	864,635
Africa	5,564,023	2,284,388
Asia	8,982,492	13,019,903
	<u>42,924,423</u>	<u>31,820,831</u>

Included in the above:

Sales to group companies	<u>11,042,640</u>	<u>1,998,152</u>
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#### 3 Operating costs

	1999 £	1998 £
Changes in stocks of finished goods	(646,489)	1,125,009
Raw materials and consumables	36,604,852	26,594,147
Other external charges	3,037,367	1,930,539
Employment costs	826,053	811,246
Other operating charges	2,169,561	601,291
	<u>41,991,344</u>	<u>31,062,232</u>

The above costs are stated after charging:

Operating leases - land and buildings	47,787	28,500
Auditors' remuneration	14,500	18,000

**Industrial Steels (UK) Limited**  
**Notes to the financial statements**  
**for the financial year ended 3 April 1999 (continued)**

**4 Interest receivable**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Interest receivable:		
Interest from group companies	-	174,627
Other interest receivable	-	10,983
	<u>-</u>	<u>185,610</u>

**5 Interest Payable**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Interest Payable:		
Interest from group companies	(25,697)	-
Other interest receivable	(31,350)	-
	<u>(57,047)</u>	<u>-</u>

**6 Taxation**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
United Kingdom corporation tax at 31% (1998:31%)		
- current	272,746	296,000
- prior year	-	(973)
	<u>272,746</u>	<u>295,027</u>

**7 Employees**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
The total costs of all employees in the company were:		
Wages and salaries	717,850	732,432
Social security costs	70,939	52,019
Other pension costs	37,264	26,795
	<u>826,053</u>	<u>811,246</u>

The average weekly number of employees of the company during the period were:

	<b>1999</b>	<b>1998</b>
	<b>Number</b>	<b>Number</b>
Management	7	7
Staff	10	11
	<u>17</u>	<u>18</u>

**Industrial Steels (UK) Limited**  
**Notes to the financial statements**  
**for the financial year ended 3 April 1999 (continued)**

**8 Emoluments of directors**

No director received or waived any remuneration during the period (1998: £Nil) in respect of his services.

The emoluments of the directors are borne by the ultimate parent company and are deemed to be wholly attributable to services to that company. No recharge is made to this company

**9 Stocks**

	1999 £	1998 £
Finished goods and goods for resale	<u>749,333</u>	<u>102,844</u>

There is no material difference between the cost of stock as stated and its replacement cost.

**10 Debtors**

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	6,407,288	5,991,515
Amounts owed by group companies	3,147,092	1,364,985
Amounts owed by non UK associates	0	1,440,319
Other debtors	<u>33,814</u>	<u>1,085</u>
	9,588,194	8,797,904
Amounts falling due after one year:		
Other debtors	87,202	0
Total Debtors	<u>9,675,396</u>	<u>8,797,904</u>

# Industrial Steels (UK) Limited

## Notes to the financial statements

### for the financial year ended 3 April 1999 (continued)

#### 11 Creditors: Amounts falling due within one year:

	1999 £	1998 £
Trade creditors	1,839,747	3,655,000
Amounts owed to group companies	2,947,845	321,395
Corporation Tax	274,760	296,976
Other creditors	<u>408,814</u>	<u>276,860</u>
	<u>5,471,166</u>	<u>4,550,231</u>

#### 12 Deferred taxation

There is no actual or potential liability for deferred tax as at 3 April 1999 (1998: £Nil).

#### 13 Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1999 £	1998 £	1999 £	1998 £
The share capital of the company is shown below:				
Ordinary shares of £1 each	<u>1,657,666</u>	<u>1,657,666</u>	<u>1,657,666</u>	<u>1,657,666</u>

#### 14 Reserves

	Profit and loss account £
At 28 March 1998	2,693,111
Profit for the period	603,286
At 3 April 1999	<u>3,296,397</u>



# Industrial Steels (UK) Limited

## Notes to the financial statements

### for the financial year ended 3 April 1999 (continued)

#### 15 Pension and similar obligations

Certain employees of the company participated in a group pension scheme operated by British Steel plc at 3 April 1999. 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 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 latest assessment of the scheme was at 31 March 1999. Details of this assessment are disclosed in the accounts of British Steel plc, the ultimate holding company at 3 April 1999. The pension costs of Industrial Steels (UK) Limited for the period ended 3 April 1999 were £37,264 (1998 : £26,795).

#### 16 Financial commitments

At 3 April 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring:				
Between two and five years inclusive	50,530	-	28,500	-
	<u>50,530</u>	<u>-</u>	<u>28,500</u>	<u>-</u>

#### 17 Post Balance Sheet Event

On 6 October 1999, British Steel plc, the Company's parent company, was acquired by Corus Group (formerly BSKH plc) through an exchange of British Steel plc shares for shares of Corus Group plc pursuant to a scheme of arrangement under section 425 of the Companies Act 1985. On the same date, Corus Group plc acquired, by a public offer, Koninklijke Hoogovens N.V., a company registered in the Netherlands.

**Industrial Steels (UK) Limited**  
**Notes to the financial statements**  
**for the financial year ended 3 April 1999 (continued)**

**18 Ultimate holding company**

At 3 April 1999, the directors regarded British Steel plc, a company registered and incorporated in Great Britain, as the immediate and ultimate holding company and controlling party. Following the acquisition of British Steel plc by Corus Group (Note 17), the directors now regard Corus Group plc, a company registered and incorporated in Great Britain, as the immediate and ultimate holding company and controlling party. The registered office of British Steel plc was at 15 Marylebone Road, London NW1 5JD. The registered office of Corus Group plc is at 15 Marylebone Road, London NW1 5JD. Copies of the financial statements of this company and the group may be obtained from this address.