

British Transformer Cores Limited

Annual report for the year

ended 3 April 1999

Registered no: 2856238



British Transformer Cores Limited

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	Pages
Directors and advisers	1
Directors' report	2 - 4
Statement of directors' responsibilities	5
Report of the auditors	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 14

British Transformer Cores Limited

1

Directors and advisers

Directors

S H Best
I A Gilbert

Registered Auditors

PricewaterhouseCoopers
Churchill House
Churchill Way
Cardiff
CF10 2XQ

Secretary and registered office

M S Tyler
Orb Works
Corporation Road
Newport
NP19 0XT

Solicitors

British Steel plc
15 Marylebone Road
London
NW1 5JD

Bankers

Lloyds Bank plc
Newport Branch
42 Commercial Street
Newport
NP9 1WX

Directors' report for the year ended 3 April 1999

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

Principal activities

The principal activity of the company is the supply of cores for the transformer manufacturing business.

Review of business

The profit and loss account is set out on page 7.

Trading conditions during the year, including the impact of exchange rates, remained difficult and the company's results suffered accordingly. The level of profitability in the next financial year will depend on the development of market conditions and movements in exchange rates. The company will continue to take steps to maintain and improve its cost competitiveness and further broaden its customer base.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 3 April 1999.

Directors

The directors of the company at 3 April 1999, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

Directors' interests

Interests in shares of the company

No director of the company at 3 April 1999 had any interest in the shares of the company, according to the register required to be kept by section 325 Companies Act 1985. There has been no change in this respect since the end of the year.

British Transformer Cores Limited

3

Interests in shares of the ultimate parent company

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

	Ordinary shares	
	3 April 1999	28 March 1998
	Number	Number
S H Best	2,244	2,244
I A Gilbert	473	473

Details of share options are as follows:-

	29 March 1998	Movements in the year		3 April 1999
		Granted	Exercised	
	Number	Number	Number	Number
S H Best	110,918	-	-	110,918
I A Gilbert	15,153	-	-	15,153

The exercise prices and dates of exercise in respect of the options held at 3 April 1999 are as follows:-

	Number of shares	Price per share	Date of exercise
British Steel Sharesave scheme	16,871	50.0p – 128.0p	1 April 1994 – 30 September 2003
British Steel Executive scheme	109,200	57.0p – 176.0p	30 July 1995 – 24 July 2007

There have been no changes in the interests of the directors in the shares of the ultimate parent company since 3 April 1999.

Research and development activities

The company commissions research and development programmes appropriate to its business.

Year 2000

The company is well advanced in its preparations for the Year 2000 date change by participating in internal projects established by its ultimate parent company, British Steel plc, to address the issue. The company does not expect to have any material financial commitments in relation to the Year 2000 date change. Further particulars are disclosed within the accounts of British Steel plc.

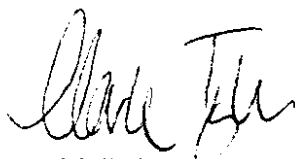
British Transformer Cores Limited

4

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 'M S Tyler', is written over the printed name.

M S Tyler

Company Secretary

8 June 1999

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year 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 and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 3 April 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



M S Tyler

Company Secretary
8 June 1999

British Transformer Cores Limited

6

Report of the auditors to the members of British Transformer Cores Limited

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 5, 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' remunerations 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.

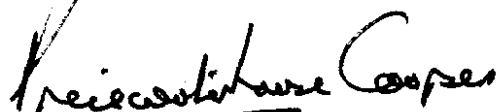
Basis of opinion

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 3 April 1999 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Cardiff

8 June 1999

British Transformer Cores Limited

7

Profit and loss account for the year ended 3 April 1999

	Notes	Year ended 3 April 1999 £'000	Year ended 28 March 1998 £'000
Turnover	2	1,799	1,470
Cost of sales		(1,764)	(1,497)
Gross loss		(35)	(27)
Net operating expenses	3	(99)	(79)
Operating loss		(64)	(106)
Interest receivable and similar income		12	10
Loss on ordinary activities before tax	6	(52)	(96)
Tax on loss on ordinary activities	7	39	70
Loss for the year	15	(13)	(26)

Continuing operations

All items dealt with in arriving at the operating loss for the years ended 3 April 1999 and 28 March 1998, respectively, relate to continuing operations.

Shareholders' funds

A statement of the movement on reserves is given in note 15 to the financial statements and a reconciliation of movements in shareholders' funds is given in note 16.

Statement of total recognised gains and losses

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

Historical cost profits and losses

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

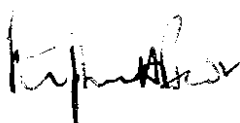
British Transformer Cores Limited

8

Balance sheet at 3 April 1999

	Notes	3 April 1999 £'000	28 March 1998 £'000
Fixed assets			
Tangible assets	8	645	698
Current assets			
Stocks	9	201	149
Debtors	10	591	456
Cash at bank and in hand		423	179
		<u>1,215</u>	<u>784</u>
Creditors: amounts falling due within one year	11	(943)	(552)
Net current assets		<u>272</u>	<u>232</u>
Total assets less current liabilities		<u>917</u>	<u>930</u>
Net assets		<u>917</u>	<u>930</u>
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	(83)	(70)
Equity shareholders' funds	16	<u>917</u>	<u>930</u>

The financial statements on pages 7 to 14 were approved by the board of directors on 8 June 1999 and were signed on its behalf by:



Director

Notes to the financial statements for the 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 applied consistently, is set out below.

Basis of accounting

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

Cash flow statement

The company is a wholly owned subsidiary of European Electrical Steels Limited and the cash flows of the company are included in the consolidated cash flow statement of European Electrical Steels Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

Turnover

Turnover, which excludes value added tax 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.

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.

Tangible fixed assets

Tangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the company, related works and administrative overheads are included at 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.

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

Depreciation of tangible fixed assets

Depreciation is provided so as to write off the net book value of tangible fixed assets. They are depreciated from the dates they are brought into use over their estimated useful lives. 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 fixed assets are:

Plant and machinery	15 years
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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 13.

2 Turnover

The company'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:-

	1999 £'000	1998 £'000
UK	1,217	249
Rest of Europe	333	874
Rest of World	249	347
	<u>1,799</u>	<u>1,470</u>

3 Net operating expenses

	1999 £'000	1998 £'000
Distribution costs	48	50
Administrative expenses	51	29
	<u>99</u>	<u>79</u>

4 Directors' emoluments

Emoluments paid to directors of the company are paid by the parent company, European Electrical Steels Limited. There was no recharge of these costs to the company during the year.

5 Employee information

The average monthly number of persons employed by the company during the year was:

	1999 Number	1998 Number
By activity		
Production	11	9
Administration	2	2
	<u>13</u>	<u>11</u>
	1999 £'000	1998 £'000
Staff costs (for the above persons)		
Wages and salaries	180	152
Social security costs	13	10
Other pension costs	7	6
	<u>200</u>	<u>168</u>

6 Loss on ordinary activities before taxation

	1999 £'000	1998 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period		
Tangible owned fixed assets	53	52
Auditors' remuneration for audit services	2	1
	<u></u>	<u></u>

7 Tax on loss on ordinary activities

	1999 £'000	1998 £'000
United Kingdom corporation tax at 31% (1998 : 31%):		
Group relief receivable	39	65
Under provision in respect of prior year	-	5
	<u>39</u>	<u>70</u>

8 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 29 March 1998 and 3 April 1999	<u>775</u>
Depreciation	
At 29 March 1998	77
Charge for the period	53
At 3 April 1999	<u>130</u>
Net book value	
At 3 April 1999	<u>645</u>
At 28 March 1998	<u>698</u>

9 Stocks

	1999 £'000	1998 £'000
Raw materials	161	99
Finished goods and goods for resale	40	50
	<u>201</u>	<u>149</u>

10 Debtors

	1999 £'000	1998 £'000
Trade debtors	523	375
Group relief receivable	39	65
Other debtors	29	16
	<u>591</u>	<u>456</u>

11 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	28	30
Amounts owed to group undertakings	817	507
Other taxation and social security	53	7
Other creditors	45	8
	<u>943</u>	<u>552</u>

12 Provisions for liabilities and charges

Deferred taxation

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

	Amount provided		Amount unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	79	57
Other	-	-	(1)	(1)
	<u>-</u>	<u>-</u>	<u>78</u>	<u>56</u>

13 Pension and similar obligations

The company participates in a group pension scheme operated by British Steel plc. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 31 March 1999. The next formal valuation will be carried out on 31 March 2002. Particulars of the valuation are contained in the accounts of British Steel plc.

14 Called up share capital

	1999 £'000	1998 £'000
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

15 Profit and loss account

	Profit and loss account £'000
At 29 March 1998	(70)
Loss for the year	(13)
At 3 April 1999	<u>(83)</u>

16 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Loss for the financial year	(13)	(26)
Opening equity shareholders' funds	<u>930</u>	<u>956</u>
Closing equity shareholders' funds	<u>917</u>	<u>930</u>

17 Capital commitments

	1999 £'000	1998 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>Nil</u>	<u>Nil</u>

18 Related party transactions

The company has not identified any transactions which fall to be disclosed under the terms of Financial Reporting Standard Number 8, "Related Party Transactions".

19 Ultimate and immediate parent companies

European Electrical Steels Limited is the company's controlling related party by nature of its 100% interest in the share capital of the company.

The company's ultimate controlling related party and ultimate parent company is British Steel plc, a company registered in England.

Copies of the consolidated financial statements of both European Electrical Steels Limited and British Steel plc may be obtained from the Secretary at the address shown on page 1 of these accounts.