

British Transformer Cores Limited

Annual report for the period

ended 30 December 2000

Registered no: 2856238



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British Transformer Cores Limited

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British Transformer Cores Limited

1

Directors and advisers

Directors

S H Best
I A Gilbert

Registered Auditors

PricewaterhouseCoopers
One Kingsway
Cardiff
CF10 3PW

Secretary and registered office

L R Atkins
Orb Works
Corporation Road
Newport
NP19 0XT

Solicitors

Corus Group plc
30 Millbank
London
SW1P 4WY

Bankers

Lloyds TSB Bank plc
City Office
Gillingham Business Park
Gillingham
Kent
ME8 0LS

**Directors' report
for the period ended 30 December 2000**

The directors present their report and the audited financial statements for the period ended 30 December 2000.

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 period, including the impact of exchange rates, remained difficult and the company's results suffered accordingly. The level of profitability in the next financial period 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 period ended 30 December 2000.

Directors

The directors of the company at 30 December 2000, all of whom have been directors for the whole of the period ended on that date, are listed on page 1. M Tyler resigned as Company Secretary on 18 May 2001 and L R Atkins was appointed on the same day.

Directors' interests

Interests in shares of the company

No director of the company at 30 December 2000 had any interest in the shares of the company, according to the register required to be kept by section 325 Companies Act 1985.

Interests in shares of the ultimate parent company

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

	Ordinary shares	
	30 December 2000	2 October 1999
	Number	Number
S H Best	2,244	2,244
I A Gilbert	473	473

Details of share options are as follows:

Up to 6 October 1999, all share options were held over British Steel plc ordinary shares. On 6 October 1999 all share options held over British Steel plc ordinary shares were converted into options over Corus Group plc shares maintaining the same value but at a revised price for a revised number of shares. Prior to conversion, the interests of the directors in share options held under the British Steel Executive and Sharesave schemes are as follows:

	Number
S H Best	165,388
IA Gilbert	39,353

The interests of the directors in share options held under the Executive and Sharesave schemes after conversion, as at 6 October 1999, are given below. No options were granted or exercised between 2 October and 6 October 1999. Options granted since 6 October 1999 have been granted under the new Corus Executive Share Option Scheme.

	Movements in the year			
	6 October 1999	Granted	Exercised	30 December 2000
	Number	Number	Number	Number
S H Best	211,249	90,500	-	301,749
I A Gilbert	50,263	57,100	-	107,363

The exercise prices and dates of exercise in respect of the options held at 30 December 2000 are as follows:

	Number of shares	Price per share	Date of Exercise
Sharesave scheme	17,424	88.47p to 100.21p	2001 – 2003
Executive scheme	391,688	107.26p to 137.79p	1997 – 2010

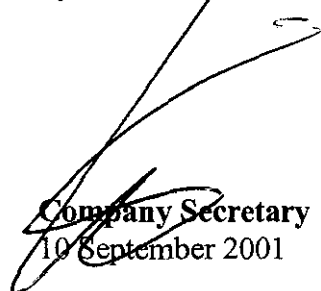
Research and development activities

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

Auditors

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

By order of the board



Company Secretary
10 September 2001

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 as at the end of the financial periods 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 period ended 30 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for 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



Company Secretary
19 September 2001

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

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 5, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and 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' remunerations and transactions is not disclosed.

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



Chartered Accountants and Registered Auditors
Cardiff

10 September 2001

Profit and loss account for the period ended 30 December 2000

	Notes	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Turnover	2	2,455	1,034
Cost of sales		(2,359)	(1,011)
Gross profit		96	23
Net operating expenses	3	(123)	(61)
Operating loss		(27)	(38)
Interest receivable and similar income		-	5
Loss on ordinary activities before tax	6	(27)	(33)
Tax on loss on ordinary activities	7	(18)	17
Loss for the period	15	(45)	(16)

Continuing operations

All items dealt with in arriving at the operating loss for the periods ended 30 December 2000 and 2 October 1999, 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.

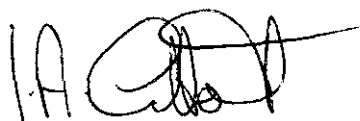
Historical cost profits and losses

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

Balance sheet at 30 December 2000

	Notes	30 December 2000 £'000	2 October 1999 £'000
Fixed assets			
Tangible assets	8	555	619
Current assets			
Stocks	9	236	180
Debtors	10	597	560
		833	740
Creditors: amounts falling due within one year	11	(532)	(458)
Net current assets		301	282
Total assets less current liabilities		856	901
Net assets		856	901
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	(144)	(99)
Equity shareholders' funds	16	856	901

The financial statements on pages 7 to 16 were approved by the board of directors on 10 September 2001 and were signed on its behalf by:



Director

**Notes to the financial statements
for the period ended 30 December 2000****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 Cogent Power Limited (formerly European Electrical Steels Limited) and the cash flows of the company are included in the consolidated cash flow statement of Cogent Power 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 loss on ordinary activities before taxation all arose from one class of business. An analysis of turnover by geographical segment is shown below:

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
UK	1,751	636
Rest of Europe	616	176
Rest of World	88	222
	<hr/>	<hr/>
	2,455	1,034
	<hr/>	<hr/>

3 Net operating expenses

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Distribution costs	66	34
Administrative expenses	57	27
	<hr/>	<hr/>
	123	61
	<hr/>	<hr/>

4 Directors' emoluments

Emoluments paid to directors of the company are paid by the intermediate parent company, Cogent Power Limited. There was no recharge of these costs to the company during the period.

5 Employee information

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

	15 months ended 30 December 2000 Number	6 months ended 2 October 1999 Number
By activity		
Production	9	11
Administration	2	2
	<hr/>	<hr/>
	11	13
	<hr/>	<hr/>

5 Employee information (continued)

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Staff costs (for the above persons)		
Wages and salaries	242	94
Social security costs	11	4
Other pension costs	9	5
	<hr/> 262	<hr/> 103
	<hr/> <hr/>	<hr/> <hr/>

6 Loss on ordinary activities before taxation

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period		
Tangible owned fixed assets	64	26
Auditors' remuneration for audit services	3	1
	<hr/> 67	<hr/> 27
	<hr/> <hr/>	<hr/> <hr/>

7 Tax on loss on ordinary activities

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Tax on loss on ordinary activities		
United Kingdom corporation tax at 30% (6 months ended 2 October 1999: 30%):		
Group relief receivable	(1)	17
Underprovision in respect of prior periods	(17)	-
	<hr/> (18)	<hr/> 17
	<hr/> <hr/>	<hr/> <hr/>

8 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 3 October 1999 and 30 December 2000	775
	<hr/>
Depreciation	
At 3 October 1999	156
Charge for the period	64
	<hr/>
At 30 December 2000	220
	<hr/>
Net book value	
At 30 December 2000	555
	<hr/>
At 3 October 1999	619
	<hr/>

9 Stocks

	30 December 2000 £'000	2 October 1999 £'000
Raw materials	148	138
Finished goods and goods for resale	88	42
	<hr/>	<hr/>
	236	180
	<hr/>	<hr/>

10 Debtors

	30 December 2000 £'000	2 October 1999 £'000
Amounts falling due within one year		
Trade debtors	569	495
Group relief receivable	-	56
Other debtors	28	9
	<hr/>	<hr/>
	597	560
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	30 December 2000 £'000	2 October 1999 £'000
Trade creditors	15	6
Amounts owed to group undertakings	381	352
Other taxation and social security	60	43
Other creditors	76	57
	<u>532</u>	<u>458</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	
	30 December 2000 £'000	2 October 1999 £'000	30 December 2000 £'000	2 October 1999 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	96	86
Other	-	-	(1)	(1)
Losses	-	-	(36)	-
	<u>-</u>	<u>-</u>	<u>59</u>	<u>85</u>

13 Pension and similar obligations

The company participates in the British Steel Pension Scheme operated by the parent. The pension scheme is a defined benefit scheme 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 periods 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 Corus Group plc. The pension charge for the period was £8,605 (six months ended 2 October 1999: £5,344).

14 Called up share capital

	30 December 2000 £'000	2 October 1999 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

15 Profit and loss account

	Profit and loss account £'000
At 2 October 1999	(99)
Loss for the period	(45)
	<u> </u>
At 30 December 2000	(144)
	<u> </u>

16 Reconciliation of movements in equity shareholders' funds

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Opening equity shareholders' funds	901	917
Loss for the financial period	(45)	(16)
	<u> </u>	<u> </u>
Closing equity shareholders' funds	856	901
	<u> </u>	<u> </u>

17 Capital commitments

	15 months ended 30 December 2000 £'000	6 months ended 2 October 1999 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	Nil	Nil
	<u> </u>	<u> </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

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

The ultimate parent undertaking and controlling party is Corus Group plc, a company registered in England and Wales .

Copies of the consolidated financial statements of both Cogent Power Limited and Corus Group plc may be obtained from the Secretary at the address shown on page 1 of these accounts.