

EES Group Services Limited

**Annual report for the period
ended 31 December 2005**



EES Group Services Limited

Annual report for the period ended 31 December 2005

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EES Group Services Limited

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Directors and advisers

Directors

M B H Schabos
D S Maddock
British Steel Directors (Nominees) Limited

Secretary and registered office

A L Scandrett
30 Millbank
London
SW1P 4WY

Registered Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

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 31 December 2005**

The directors present their report and the audited financial statements for the period ended 31 December 2005.

Principal activities

The principal activity of the company is as a holding company.

Review of business

The loss for the financial period was £45,918,000 (12 months to 1 January 2005: £ Nil).

The company is a wholly owned subsidiary of Cogent Power Limited and its future development is directly related to that of its parent.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31 December 2005.

Directors

The directors of the company are listed on page 1.

Directors' interests**Interests in shares of the company**

No director of the company at 31 December 2005 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 M B H Schabos and D S Maddock in the shares of the ultimate parent company, Corus Group plc, are disclosed in the financial statements of an intermediate parent undertaking.

Post balance sheet events review

On 17 June 2006, the company's immediate subsidiary European Electrical Steels Nederlands BV completed the sale of all its subsidiary undertakings (collectively known as the Laminations Division) to Bavaria Industriekapital AG.

Auditors

The company has passed an elective resolution pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

By order of the board

A handwritten signature in black ink, appearing to read 'S. Maddox'.

Director

29 September 2006

Statement of 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 are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2005 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.

By order of the board

A handwritten signature in black ink, appearing to be 'S. M. Addeh', written over a horizontal line.

Director

Independent auditors' report to the members of EES Group Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

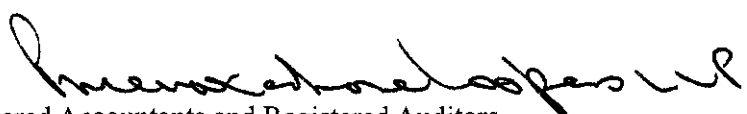
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

Date 29 September 2006

**Profit and loss account
for the period ended 31 December 2005**

		12 months to 31 December 2005 £'000	12 months to 1 January 2005 £'000
Continuing operations	Notes		
Net operating expenses			
- Diminution in value of investment	5	(45,918)	-
Operating loss		(45,918)	-
Loss on ordinary activities		(45,918)	-
Tax on loss on ordinary activities		-	-
Loss for the financial period	7	(45,918)	-

Shareholders' funds

A statement of the movement on reserves is given in Note 7 to the financial statements and a reconciliation of movements in shareholders' funds is given in Note 8.

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.

EES Group Services Limited

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Balance sheet at 31 December 2005

	Notes	31 December 2005 £'000	1 January 2005 £'000
Fixed assets			
Investments	5	-	45,918
Net assets			
		-	45,918
Capital and reserves			
Called up share capital	6	60,010	60,010
Profit and loss account	7	(60,010)	(14,092)
Equity shareholders' funds			
	8	-	45,918

The financial statements on pages 6 to 10 were approved by the board of directors on 29 September 2006 and were signed on its behalf by:



Director

**Notes to the financial statements
for the period ended 31 December 2005****1 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 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.

Investments

Investments in subsidiaries are included at cost. Provisions are made against investments if events or circumstances indicate that the carrying amount may not be recoverable.

2 Directors' emoluments

None of the directors received any emoluments in respect of services to the company.

3 Employee information and auditors' remuneration

The company had no employees during the period, with all administration being carried out by the intermediate parent company, Cogent Power Limited. Auditors' remuneration in respect of the company was borne by Cogent Power Limited. No non-audit fees arose in the period.

4 Taxation

- (a) No charge to taxation has arisen in the period (12 months to 1 January 2005: £nil)
- (b) The tax assessed for the year is different than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	12 months to 31 December 2005 £'000	12 months to 1 January 2005 £'000
Loss before tax	-	-
Loss multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	-	-
Effects of:		
Permanent differences	-	-
Current tax charge for period	-	-

**Notes to the financial statements
for the period ended 31 December 2005 (continued)**

5 Investments

	Investment in subsidiary undertaking £'000
Cost	
At 2 January 2005 and 31 December 2005	60,010
Provision for impairment	
At 2 January 2005	14,092
Impairment charge	45,918
At 31 December 2005	60,010
Net book value at:	
31 December 2005	-
Net book value at:	
1 January 2005	45,918

Following a review of the carrying value of the investment in subsidiary undertaking and in accordance with FRS 11, the directors have charged the result with an impairment charge of £45,918,000.

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
European Electrical Steels Nederlands BV	Holland	Ordinary	100%	Holding company

Group accounts have not been prepared because the company is itself a member of a UK group of companies which prepares group accounts and is exempt from preparing group accounts by virtue of S228 of the Companies Act 1985. In the directors' opinion, the value of the investment in the subsidiary undertaking is not less than the aggregate amount at which it is stated in the balance sheet.

6 Called up share capital

	31 December 2005 £'000	1 January 2005 £'000
Authorised		
61,000,000 ordinary shares of £1 each	61,000	61,000
Allotted, called up and fully paid		
60,010,001 ordinary shares of £1 each	60,010	60,010

**Notes to the financial statements
for the period ended 31 December 2005 (continued)**

7 Profit and loss account

	£'000
At 2 January 2005	(14,092)
Loss for the period	(45,918)
At 31 December 2005	(60,010)

8 Reconciliation of movement in equity shareholders' funds

	31 December 2005 £'000	1 January 2005 £'000
Opening equity shareholders' funds	45,918	45,918
Loss for the financial period	(45,918)	-
Closing equity shareholders' funds	-	45,918

9 Related party transactions

The company's transactions with Cogent Power Limited and its subsidiary companies are all in the normal course of business. In accordance with the exemption offered by Financial Reporting Standard No 8, there is no disclosure in these financial statements of those transactions.

10 Ultimate and immediate parent companies

Cogent Power Limited is the company's immediate parent company 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 Corus Group plc, a company registered in England and Wales.

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

11 Post Balance sheet events

On 17 June 2006, the company's immediate subsidiary European Electrical Steels Nederlands BV completed the sale of all its subsidiary undertakings (collectively known as the Laminations Division) to Bavaria Industriekapital AG.