

# Contents

2	Chairman & Chief Executive's statement
4	Review of the period
18	Financial review
20	The Board
22	The Executive committee
24	Directors' report
34	Statement of directors' responsibilities in relation to financial statements
35	Report of the auditors
36	Consolidated profit and loss account
37	Balance sheets
38	Statement of total recognised gains and losses and Reconciliation of movements in shareholders' funds
39	Consolidated cash flow statement and Reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds
40	Presentation of accounts and accounting policies
43	Notes to the accounts
72	Principal subsidiary undertakings and joint ventures
74	Supplementary information for North American investors
77	Five year financial summary
78	Some important data in euros
79	Other key data and Glossary
80	Analysis of shareholdings at 30 December 2000
	Inside back cover
	Information for shareholders

# Chairman & Chief Executive's statement

The Group operating loss for the fifteen months to 30 December 2000 amounted to £1,152m and was dominated by restructuring and related provisions of £1,033m including the write-down of assets of £701m. The majority of these provisions are in respect of measures which have to be taken in the UK to address the continuing high losses in carbon steel being incurred due to weak UK demand and a growing and unsustainable level of unremunerative exports.

The operating loss masked good performances from the Group's aluminium and stainless steel activities which made operating profits of £109m and £150m respectively. The Group's aluminium activities benefited from favourable demand trends in most markets during the period under review, underpinned by high utilisation rates and good operating performances. Demand for rolled and extruded products improved in Europe and has continued to be buoyant through the first quarter of 2001. In stainless steel, improving trends in demand and selling prices were evident to mid-2000. These favourable market

conditions were supported by a good operating performance at Avesta Sheffield, the Group's 51%-owned stainless steel subsidiary. However, from late-summer there was an easing of demand which led to destocking, production cutbacks and reduced margins, a trend which has continued into the first quarter of 2001.

Avesta Sheffield's merger with Outokumpu Steel was completed on 22 January 2001. AvestaPolarit, in which Corus has an equity share of some 23%, is one of the world's largest stainless steel producers combining the complementary strengths of the cost-efficient integrated production of Outokumpu Steel with the broad product range and extensive distribution network of Avesta Sheffield.

In carbon steel, the problems associated with weak UK demand and high exports exacerbated by the continuing weakness of the Euro meant that UK integrated steelmaking operations lost over £1m per day through 2000, clearly an unsustainable situation. This level of loss was incurred despite significant cost reduction measures being

implemented during the period. Accordingly, on 1 February 2001 Corus announced plans to reduce some 3m tonnes of flat products productive capacity with resultant heavy job losses, and further manpower productivity improvement measures to be implemented across other businesses.

Problems with carbon steel operations were not restricted to the UK. IJmuiden suffered from unsatisfactory operational performance, a major factor being the disruption to production caused by the commissioning of the Direct Sheet Plant which commenced in spring 2000. This new facility is now progressing more satisfactorily and is expected to be operating at close to its designed capacity by the end of this year. Management has been reorganised and an action plan developed to secure a significant improvement in IJmuiden's future performance.

The market scene for carbon steel which developed in the last quarter of 2000 was one of over-supply and resultant reduced prices, although demand remained reasonably

buoyant. Since then demand has reduced in the US but remained firm in Europe. A number of steps have been taken by various producers in both markets to bring supply more into line with demand. The general expectation is that there will be some recovery in prices in the second half of 2001.

After taking account of tax and minority interests the loss for the period amounted to £1,349m and the Board has not recommended the payment of a final dividend. The Board will consider the level of dividend for 2001 in the light of trading conditions and the prevailing market outlook.

The current year presents some critical challenges for the management team of Corus both in terms of restoring the competitiveness of its integrated carbon steel assets in the UK and the Netherlands, and in ensuring it maintains the loyalty of its customer base. Concurrently, we will be focusing on the development and growth of our downstream carbon steel businesses, most of which remain profitable, together with aluminium operations and stainless

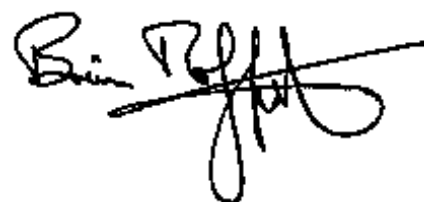
steel interests. Key market areas will be construction, transportation, engineering and distribution. Over time, therefore, the growth in our downstream activities will mean that we will become less dependent on our upstream assets.

There have been a number of changes to the membership of the Board since the merger. In September Aad van der Velden retired and in December John Bryant and Fokko van Duyn, the joint Chief Executives, resigned. John Rennocks, Finance Director, retired in January this year. We thank them all for their respective contributions to Hoogovens, British Steel and Corus over many years.

I am pleased to welcome Franswillem Briët and Henk Vriens, members of the Executive, who joined the Board in December 2000, and David Lloyd, previously Deputy Finance Director, who joined the Board as Finance Director in February 2001.

Corus is dependent for its success on loyal, well trained and co-operative employees. Unfortunately, the restructuring and efficiency measures announced since the merger result in

significant job losses. My colleagues and I deeply regret the necessity for these measures but are convinced they are crucial to the future of Corus, its employees, customers and shareholders. For those whose jobs are affected we will work with Government and local agencies to create retraining schemes and new employment opportunities in their local areas. For those remaining I ask for their continued loyalty and expertise so that Corus can become the success we all desire. Finally, I would like to thank all our employees for all their efforts and support in what has been a very difficult past fifteen months.



Sir Brian Moffat  
Chairman & Chief Executive

# Review of the period

## Group financial results

The Group's financial results for the period need to be interpreted bearing in mind a number of developments since the last Report & Accounts, the most significant of which are:

- Former British Steel plc (now Corus UK Limited) changed its year end from March to September in 1999. The change of year end was introduced as a preparatory step to the merger between the British Steel Group and the Hoogovens Group which became effective on 6 October 1999.
- Following the merger, the year end of the new enlarged group, Corus Group plc, became December with effect from 2000. This is in line with other companies in the industry and is consistent with the year end adopted by the former Hoogovens Group.
- Reporting requirements, particularly the analysis of results, are complicated by the current period being of fifteen months duration, the preceding period being of six months duration, and the merger itself. Many of the requirements reflected in the review are to meet USA reporting obligations.
- The directors consider that the new enlarged group had three classes of business during the period under review: carbon steel, stainless steel and aluminium. The directors of British Steel plc considered that group to have only one reportable segment.

The comparative data included for periods prior to 3 October 1999 is in respect of British Steel and does not include Hoogovens. This distorts the comparisons, particularly in respect of

For ease of understanding, the following terms are used throughout the review with the meaning shown in the definition given:

fifteen month period	15 months ended 30 December 2000 (audited)
first half	6 months to 1 July 2000 (unaudited)
second half	6 months to 30 December 2000 (unaudited)
six month period	6 months to 1 April 2000 (unaudited)
1999	6 months to 2 October 1999 (audited)
1998/99	12 months to 3 April 1999 (audited)
1997/98	12 months to 28 March 1998 (audited)
pro-forma basis	financial information is calculated on a pro-forma basis as if the merger of British Steel and Hoogovens had taken place on 3 April 1999 (unaudited).

the carbon steel and aluminium segments. Similarly, the difference in length between the fifteen month period and 1999 makes comparisons between these two periods misleading. This review therefore focuses on relevant six month periods. In addition, the comparison of the aluminium segment includes unaudited, unconsolidated management accounts information in respect of the twelve months to end December 1999.

## Operating results for the fifteen month period to 30 December 2000

### Summary

Total Group turnover for the fifteen month period was £11,698m (1999: £2,709m; 1998/99: £6,259m; 1997/98: £6,947m). Average revenue per tonne in the fifteen month period was £343 and increased by 5% compared with 1999, excluding the effect of aluminium. Turnover in the first half of £4,841m was 5% higher than the figure for the six month period of £4,611m. This reflected higher prices and volumes in all segments, which averaged 7% and 2% respectively higher than those for the six month

period. Higher prices were obtained in spite of the strengthening of sterling against the euro by an average 2% between the periods. Turnover decreased by 4% from the first half to £4,668m in the second half. The decrease was a result of reduced volumes in the second half, particularly in the carbon steel segment. Turnover in the above periods reflects the merger with Hoogovens, which became effective in October 1999.

Turnover for 1999 was £2,709m on a statutory basis or £4,151m on a pro-forma basis. The turnover on a pro-forma basis was 10% lower than the six month period reflecting lower prices and volumes, particularly in the carbon steel segment. The turnover in 1999 of £2,709m represented a 20% reduction on the turnover for the equivalent period in 1998, reflecting a sharp reduction in prices over main products and markets, particularly in the second half of 1998/99, and a lower level of deliveries. This followed a reduction in turnover between 1997/98 and 1998/99 of 10%, again due to the sharp reduction in prices.

	15 months 30 Dec 00	6 months 30 Dec 00	6 months 1 Jul 00	3 months 1 Jan 00	6 months 1 Apr 00	6 months 2 Oct 99	12 months 3 Apr 99	12 months 28 Mar 98
Turnover (£m)								
UK	<b>3,274</b>	1,264	1,371	639	1,352	<b>1,119</b>	<b>2,663</b>	<b>3,010</b>
Rest of Europe	<b>6,018</b>	2,402	2,522	1,094	2,350	<b>1,085</b>	<b>2,532</b>	<b>2,687</b>
Rest of World	<b>2,406</b>	1,002	948	456	909	<b>505</b>	<b>1,064</b>	<b>1,250</b>
	<b>11,698</b>	4,668	4,841	2,189	4,611	<b>2,709</b>	<b>6,259</b>	<b>6,947</b>
Operating costs (£m)	<b>12,850</b>	5,724	4,815	2,311	4,686	<b>2,898</b>	<b>6,433</b>	<b>6,682</b>
Operating results (£m)	<b>(1,152)</b>	(1,056)	26	(122)	(75)	<b>(189)</b>	<b>(174)</b>	<b>265</b>
Deliveries (mt)								
Carbon steel	<b>23.1</b>	8.7	9.8	4.6	9.7	<b>6.5</b>	<b>13.5</b>	<b>14.7</b>
Stainless steel	<b>1.2</b>	0.4	0.5	0.3	0.5	<b>0.4</b>	<b>0.9</b>	<b>0.9</b>
Aluminium	<b>0.7</b>	0.3	0.3	0.1	0.3	-	-	-
	<b>25.0</b>	9.4	10.6	5.0	10.5	<b>6.9</b>	<b>14.4</b>	<b>15.6</b>

As shown in the table above the Group operating loss for the fifteen month period was £1,152m (1999: loss of £189m; 1998/99: loss of £174m; 1997/98: profit of £265m). The operating profit was £26m for the first half, while the six month period showed an operating loss of £75m, with the difference reflecting the price and volume gains during the first half referred to above. The second half showed an operating loss of £1,056m which included £909m of accelerated depreciation, redundancy provisions and other rationalisation costs associated with the restructuring announcement made on 1 February 2001.

The operating loss for 1999 was £189m on a statutory basis or £108m on a pro-forma basis. The result on a pro-forma basis was worse than the six month period with lower profits in the stainless steel and aluminium segments, partially offset by lower losses in the carbon steel segment. The result in the six month period compared with an operating profit of £82m for the equivalent period in 1998 and reflected a continuation of the severe price pressure in Europe felt in the second half of 1998/99 caused by oversupply in most product

areas, exacerbated by the adverse effects of the continued strength of sterling. This followed the decline in the Group result between 1997/98 and 1998/99 which was a consequence of the same price pressures.

Operating costs for the fifteen month period were £12,850m and included a net charge of £1,033m in respect of items of an exceptional nature (1999: £12m; 1998/99: £85m; 1997/98: £43m). These items predominantly consisted of provisions for rationalisation in respect of major cost and efficiency initiatives, accelerated depreciation and other rationalisation costs. During the fifteen month period Corus undertook a strategic review of its UK carbon steel activities, seeking to ensure their return to profitability through margin enhancement and cost reduction measures. The restructuring measures announced on 1 February 2001 included a reduction of some 3mt of iron and steel making capacity in flat products, together with the closure of certain associated mills and process lines. In addition significant cost reduction measures were announced in other business operations.

Provision for this restructuring has been made in the fifteen month period, giving rise to total exceptional items of £1,033m. Redundancy and related costs of £202m principally relate to reductions in manning levels to be implemented during 2001/02. The charge also includes accelerated depreciation of £590m to recognise an impairment to the value in use of fixed assets at those sites affected by reductions in operating capacity. Where applicable, a pre-tax discount rate of 12% has been used to calculate value in use. In addition, £111m of other fixed assets and investments have been written off. These relate to provisions against the value of stores and spares associated with the impaired plant and to the carrying value of certain other investments in the US. Other rationalisation costs of £130m include site demolition and clearance environmental costs, and contract terminations.

A provision will also be made in the first half of 2001 to cover the redundancy costs resulting from the job losses announced on 1 February 2001 as part of the cost reduction measures in other business operations.

The Listing Particulars for the merger between British Steel and Hoogovens estimated cost savings, based on the existing major plant configurations, of £194m per annum (pre-tax) by the financial year ending December 2002, with scope for further revenue enhancing opportunities. The Group is on target to achieve these savings in its present plant configuration with recurring savings of over £60m achieved during 2000. Most of these savings occurred in the second half so that the annual rate of benefits was over £100m by the end of 2000. The impact of the proposed restructuring of the UK asset base announced on 1 February 2001 will make it impractical in future to identify separately merger synergy benefits.

The Group's net interest payable of £118m for the fifteen month period (1999: interest receivable £14m; 1998/99: interest receivable £30m; 1997/98: interest receivable £41m) reflected the movement from net funds of £161m at 2 October 1999 to net debt of £1,676m at 30 December 2000. It comprised income from fixed asset investments of £1m, interest earned of £39m on average deposits and loans of £196m (excluding investment income and investments held by Crucible Insurance Company Limited ('Crucible') and Hoogovens Verzekeringsmaatschappij NV ('HVM') – see the 'Business risk management' section on page 16) less interest incurred of £158m on average borrowings and leases of £1,799m.

After net interest and the Company's share of the results of joint ventures and associated undertakings, there was a loss before tax for the fifteen month period of £1,271m (1999: loss of £167m; 1998/99: loss of £142m;

1997/98: profit of £315m) and the loss per share was 43.38p (1999: loss of 8.22p; 1998/99: loss of 4.09p; 1997/98: earnings of 11.44p), reducing to 10.32p before exceptional items.

Capital expenditure during the fifteen month period amounted to £400m (1999: £55m; 1998/99: £189m; 1997/98: £404m), including £53m at Avesta Sheffield. The UK accounted for 25%, the Netherlands 58%, the rest of Europe 8%, North America 6% and elsewhere 3% of capital expenditure. Capital expenditure is met by cash flow provided by operating activities, cash balances and borrowing facilities.

### **Carbon steel**

#### **Turnover, deliveries and prices**

Turnover for the fifteen month period was £8,725m. Average revenue per tonne was £285 in the fifteen month period and increased by 8% compared with 1999. Turnover in the first half of £3,540m compared to £3,487m in the six month period, 2% higher. Turnover in the first half reflected higher average revenues of 4% and higher volumes of 1% than those in the six month period. Turnover decreased by 2% from the first half to £3,476m in the second half, reflecting a reduction in volumes, partially offset by price improvements.

Turnover for 1999 was £2,176m on a statutory basis or £3,041m on a pro-forma basis. The turnover on a pro-forma basis was 13% lower than the six month period due to lower prices and volumes. The turnover in 1999 of £2,176m represented a 20% reduction on the turnover for the equivalent period in 1998, reflecting a sharp reduction in prices over main products and markets, particularly in

the second half of 1998/99, and a lower level of deliveries. This followed a reduction between 1997/98 and 1998/99 of 8%, similarly due to the sharp reduction in prices.

#### **UK market**

Corus deliveries to the UK market in the fifteen month period totalled 8.6mt, of which 7.8mt were in the Company's main carbon and engineering steel finished products. Deliveries were 3.7mt in the six month period and 3.6mt in the first half. As demand in the UK slowed and market share came under import pressure in the second half, deliveries fell to 3.2mt.

Estimated demand for this range of products in the fifteen month period was 14.2mt. Demand was 6.0mt in both the six month period and the first half. There was a reduction from the first half of 12% to 5.3mt in the second half as output fell in the transportation equipment and construction industries, and the earlier build up of inventories was reversed. For the calendar year as a whole, demand in 2000 was at a similar level to that in calendar year 1999. Demand in 1999 was 10% lower than the equivalent period in 1998, following a reduction of 4% in the previous full year. The Company's UK market share was 55% (1999: 53%; 1998/99: 54%; 1997/98: 57%), but fell back to 54% in the second half.

#### **Other European markets**

Deliveries in and to mainland Europe amounted to 10.9mt in the fifteen month period. Deliveries were 4.5mt in the six month period and 4.7mt in the first half. Deliveries slowed between the first and second half year to 4.1mt. Deliveries in 1999 were 5%

down on comparable 1998 levels following a reduction of 3% in the preceding year.

Steel demand in the EU increased by 4.5% in calendar year 2000 compared to calendar year 1999. In the first half, relatively tight market conditions combined with a strong rise in activity in steel using industries to give a sharp upturn in orders which led to a continued inventory build, facilitated by a rise in import volumes. However, from the middle of the year global oversupply started to feed through to the EU market balance, resulting in relatively high inventory levels for most flat products. Despite the generally favourable demand picture, the perception that stock levels were too high led to a sharp fall in orders and deliveries in the second half, particularly from service centres. Significant stock reduction took place in the latter part of 2000 and further reductions are likely in the first half of 2001.

#### *Other markets*

Deliveries to markets outside Europe amounted to 3.6mt in the fifteen month period. Deliveries were 1.5mt in both the six month period and the first half. Between the first and second half there was a reduction to 1.4mt. The reduction in deliveries to other markets was a reflection of the downturn in the global business cycle, notably in the US, which became evident from mid 2000. Deliveries in 1999 were 13% down on the comparable 1998 levels continuing the decline in the previous year.

In the USA, demand for steel was strong in the first half. However, as this was partly driven by a rise in stocks, it was not sustainable.

Triggered by a slowdown in growth in the main end-using industries, the steel stock cycle reversed in the summer resulting in a steep decline in demand. The situation is expected to stabilise from the first quarter of 2001 as capacity adjustments, inventory reductions and reduced imports rebalance themselves to a lower level of consumption. In Asia, the largest steel consuming region in the world, demand rose by an estimated 7% in calendar year 2000 compared to calendar year 1999. Here as well, the development of demand was much less dynamic in the second half.

#### *Prices*

Average revenue per tonne for the fifteen month period amounted to £285 compared with £264 in 1999 following successive years of decline from the peak of 1995/96. Average revenue in the first half amounted to £284 per tonne and £273 per tonne in the six month period. Between the first and second half revenue continued to rise on average in spite of prices reaching their peak in summer 2000, with revenues in the second half being 4% higher than those in the first half.

Global demand for steel rose very rapidly in the first half, followed by a slowdown in the second half. On average, steel demand increased by 5% to 6%, driven by an improvement in all main steel consuming regions in the world. At first, supply could hardly keep up with demand, resulting in a significant rise in prices. Towards the summer, as production accelerated and the market became more balanced, prices peaked. With production maintained at high levels after the summer but demand slowing, the market became over-

supplied and prices started to fall. Despite a number of producers cutting back production in the final quarter of 2000, the fall in prices accelerated towards the end of the year.

The average spot exchange rate for the fifteen month period was DM3.18 (1999: DM2.98; 1998/99: DM2.88; 1997/98: DM2.91) which is equivalent to €1.63, and represents a strengthening of sterling of 29% since 1996/97 and of 7% since 1999. The average rates for the six month period, first half and second half were DM3.14, DM3.20 and DM3.20 respectively.

#### *Operating costs*

Operating costs for the fifteen month period were £10,136m. Costs were at the same level in both the six month period and the first half at £3,692m, in spite of a higher volume in the latter period. This reflected ongoing cost and efficiency improvement measures. The increase between the first and second half to £4,586m was largely attributable to the restructuring provisions referred to above.

Operating costs for 1999 were £2,375m on a statutory basis or £3,186m on a pro-forma basis. The costs on a pro-forma basis were 14% lower than the six month period due to lower volumes. The costs in 1999 of £2,375m were 9% lower than the equivalent period in 1998, reflecting lower sales, a reduced number of employees and further benefits from the 'suppliers' initiative'. This followed a reduction of 4% between 1997/98 and 1998/99 due to reduced manning and the benefits of the 'suppliers' initiative'.

The principal raw materials in the carbon and engineering steel making process are iron ore and coal, purchased on international markets, and steel scrap. In the fifteen month period, Corus imported approximately 30mt of iron ore and 14mt of coal, all through the four deep-water terminals servicing its integrated steelworks. Iron ore is imported principally from Australia, Canada, South Africa and Brazil. Coal, for conversion into coke and direct injection into blast furnaces, is imported from Australia, USA and Canada. Corus bought most of its UK scrap requirements of some 1.7mt over the period in the UK, and some 0.7mt for its Dutch integrated plant from continental European sources. There is also a large international market for scrap.

Cost increases continue to be offset by synergy benefits arising from the merger and local savings are also achieved through a co-ordinated approach to purchasing.

#### **Dynamics of the business**

In the fifteen month period, Europe accounted for 83% of carbon steel products turnover of which the UK amounted to 37%. The principal factors influencing financial performance are, therefore, the economic climate in the UK and mainland Europe and exchange rate relativities, particularly sterling to the euro/deutschmark and sterling/euro to the US dollar.

Steel is a capital intensive industry and changes in demand in one region often lead to a rapid change in geographical sales patterns as producers seek to maintain high capacity utilisation. As a result, changes in the global market for steel

also influence Corus' financial performance. These issues are considered below.

#### **Economic climate**

In 2000, global economic growth amounted to 4.5% to 5%, the highest level in more than ten years. The global economy was very strong in the first half, but growth slowed down thereafter. This was mainly due to the slowing down of the American economy and the Asian economies passing the peak of their current cycle. The slowdown in global growth is expected to continue in the first half of 2001, followed by a gradual recovery thereafter.

In Europe, economic growth in 2000 amounted to an estimated 3.5%. The economy benefited from robust global demand and the weak euro at first, with domestic demand gradually strengthening over the year. Economic growth in the UK amounted to 3%, and was mainly consumption-driven. Investment growth was rather low as profitability in many exporting companies was hurt by the strength of sterling. On the back of the recovery in western Europe, the eastern European economies gained significant strength. In Latin America, growth rebounded powerfully in 2000.

#### **Exchange rates**

Exchange rates remain very important to the competitiveness and results of Corus. With 83% of carbon steel products turnover accounted for by sales in Europe, the exchange rate of sterling to the euro/deutschmark is of major importance to sales revenues. Turnover in other export markets and major supplies purchases, including iron ore and coal, are mainly influenced by the US dollar.

In general, a substantial strengthening of sterling adversely affects results in three ways. Firstly, it directly reduces export revenues from the UK. This exposure is hedged by forward currency sales to the extent of the Company's contractual commitments, but such hedge is effective for only that defined time. Secondly, it improves the relative competitiveness of steel producers in countries with weaker currencies enabling them to discount prices in the UK market. It is not practicable perpetually to hedge this competitive exposure. Thirdly, it exposes UK customers to similar pressures leading to a reduction in demand for steel in the UK.

As a result of the merger, the Group's sensitivity to changes in the value of sterling is lower than was the case for British Steel. Nevertheless, Corus' UK operations export a significant volume to continental European markets and continental European producers supply a significant share of the British market. Continental European producers benefited from a favourable exchange rate climate, with the euro 13% lower against the US dollar than in 1999. Sterling appreciated further against the euro/deutschmark (see above) and this led to reduced export profitability, increased import pressure on the UK market, downward pressure on prices and a decline in activity of several client industries in the UK.

#### **Global steel market**

As previously stated, steel producers seek to maintain high capacity utilisation. If demand levels in one region of the world are not sufficient to sustain this utilisation, producers tend to increase sales to other regions to achieve desired outputs. There is a

### Major capital projects

Completed in the period	Capital cost £m	Completion date
Myriad – expansion of organic coating capacity	25	Dec 99
IJmuiden – DSP	195	Mar 00
IJmuiden – new galvanizing line	43	Apr 00
Redcar – blast furnace single outage repair	14	Oct 00
IJmuiden – new pickle line	35	Dec 00
In progress at end December 2000		
IJmuiden – increase in steel plant capacity	37	Sep 01
IJmuiden – repairs to no.6 blast furnace	29	May 02

well developed international trade in steel which facilitates rapid changes in trading levels, leading to an equally rapid movement in price levels.

In 2000, the global steel demand/supply balance changed from tight in the first half to oversupplied in the second half of the year. The downturn in demand in the USA resulted in foreign suppliers looking for sales opportunities in other regions. The significance of international steel trade was reflected in oversupply hitting other markets as well, with a steep decline in prices as a consequence.

The world surplus of effective steel making capacity declined in 2000 by 59mt, with the decrease taking place in all major steel producing regions in the world. World capacity utilisation increased from 82% in calendar year 1999 to 88% in 2000.

Some improvement in market fundamentals is expected for 2001 as global demand is expected to increase slightly, whereas capacity will remain stable. However as steel stocks are currently being run down, the first half of the year will probably see relatively weak demand.

### Investment

Capital expenditure during the fifteen month period amounted to £293m. Major projects in progress and completed during the period included the new 1.3mt per annum Direct Sheet Plant (DSP) at the IJmuiden works in the Netherlands, comprising a single strand thin slab caster and in line hot rolling mill. This plant began commissioning in March 2000. Associated with the development is the enlargement of capacity of the IJmuiden site to 6.5mt per annum and quality improvements in the no.2 oxygen steel plant and a new pickle line, which will process coil from the DSP to meet the growing demand for pickled coil.

The Redcar blast furnace repair commenced in late July 2000 following a European record output campaign lasting over a 14 year period and producing nearly 44mt. The repair will significantly reduce the number of planned and unplanned stoppages, and extend the life of the furnace. Recommissioning took place in September 2000 ahead of schedule.

Expansion of organic coating capacity by 0.15mt per annum at Myriad in France, and a new general-purpose hot dipped galvanising line at IJmuiden with a capacity of 0.4mt per

annum were commissioned in the period to meet the growing demand for coated steels.

### Stainless steel

#### Turnover, deliveries and prices

Turnover for the fifteen month period was £1,746m. Turnover increased by 25% from £533m in 1999 to £664m in the six month period. Turnover was £788m in the first half but then reduced to £679m in the second half. During the fifteen month period, the stainless steel market experienced volatile market conditions. Through calendar year 1999 and the first half, demand and selling prices for much of the product range increased. Deliveries during the first half were at record levels, in line with customer demand. However, in summer 2000 a period of destocking by customers commenced, which is expected to continue through the first quarter of 2001. Selling prices similarly increased through to summer 2000, but have since declined rapidly so that prices in early 2001 are now at the low levels seen in early 1999. Coupled with this destocking phase, there is now uncertainty about slowdown in the US economy, its effect on other world economies, and on demand and prices.

#### UK market

Deliveries to the UK market in the fifteen month period totalled 0.150mt. Deliveries increased from 0.064mt in 1999 to 0.066mt in the first half but then reduced to 0.054mt in the second half.

#### Other European markets

Deliveries in and to mainland Europe amounted to 0.756mt in the fifteen month period. Deliveries increased from 0.264mt in 1999 to 0.359mt in

the first half but then reduced to 0.261mt in the second half. Demand for European cold rolled stainless steel in 2000 totalled 2.9mt compared with 2.5mt in calendar year 1999.

### Other markets

Deliveries to markets outside Europe amounted to 0.280mt in the fifteen month period. Deliveries increased from 0.094mt in 1999 to 0.122mt in the first half and 0.101mt in the second half.

### Prices

Average revenue per tonne for the fifteen month period was £1,472 compared with £1,263 in 1999, reflecting increases which occurred principally during early 2000. As explained earlier, since summer 2000 selling prices have reduced significantly.

World price trends have tended to follow a similar pattern. There is a close correlation in the cycle of selling prices in Europe, the USA and Asia.

### Operating costs

Operating costs, including depreciation, for the fifteen month period were £1,596m. The significant elements of cost are raw materials, representing approximately 54%, and employment costs at 15%. The major cost item in raw materials is nickel, which averaged US\$3.78 per lb during the fifteen month period, compared with US\$2.67 per lb for calendar year 1999. Nickel prices increased from lows of US\$1.70 per lb at the end of 1998 to peak in March 2000 at US\$4.84 per lb. Since then prices have reduced to approximately US\$3.00 per lb. The price of nickel has a significant effect on stainless steel demand and prices as

### Major capital projects

Completed in the period

	Capital cost £m	Completion date
Sheffield – additional cold rolled capacity	12	Dec 00
In progress at end December 2000		
Nyby – additional thin cold rolled capacity	11	Oct 01
Avesta – KBR wide plate expansion	23	Dec 01

perception of its price movements lead to speculative activity by stockists.

Raw material requirements are met by scrap and both virgin and recycled alloying metals, with nickel being the most significant cost item. Other important alloying metals are chromium and molybdenum.

### Dynamics of the business

In the fifteen month period, European cold rolled demand was 3.55mt. This represented approximately 32% of total world cold rolled demand. The principal factor influencing financial performance is the economic climate throughout the world. Local demand tends to be affected by exchange rate fluctuations. Stainless steel has had a compound annual growth rate of approximately 5.5% over the last 20 years. As a result of this growth, there has been a continuing need for producers to invest in new capacity. Since 1999, no new stainless steel capacity has been commissioned but during the period 2002/03 approximately 3-5mt of new capacity is scheduled to be commissioned. This is broadly in line with market growth over the period since 1999 but may lead to a temporary imbalance between supply and demand.

### Exchange rates

Exchange rates remain very important to business competitiveness. With both its major manufacturing locations, Sweden and the UK, outside the euro

zone but approximately 75% of sales being made inside, the euro exchange rate with sterling and the Swedish Krona is of major importance to sales revenues. This tends to be the significant exchange rate factor affecting results, although movements in the US dollar and sterling can affect costs when converted into Swedish Krona.

### Investments

Capital expenditure during the fifteen month period totalled £53m. Major cold rolling projects comprise the installation at Sheffield of additional cold rolled capacity of 30ktpa, of which thin cold rolled capacity is 15ktpa, and at Nyby of equipment to increase thin cold rolled capacity by 15ktpa. The other major project underway is an increase in production capacity of continuously produced wide plate from 210ktpa to 330ktpa at KBR in Avesta.

### Aluminium

Prior to the merger with Hoogovens, British Steel was not involved in the aluminium segment with the result that there are no statutory comparatives included in the accounts. In order to provide an insight into the results, the comparatives for the aluminium segment are based on the first half and second half, the combined unaudited figures for the twelve months to December 2000, and the unaudited figures for Hoogovens for

the twelve months to December 1999 and to December 1998.

### Turnover, deliveries and prices

Turnover for the fifteen month period was £1,227m. Turnover remained unchanged between the first and second half at £513m.

Turnover for the twelve months to December 2000 at £1,026m was 47% higher than the equivalent period in 1999 reflecting the acquisition in January 2000 of a controlling interest in Reycon, a Canadian rolling operation, improvements in product mix, and improved volumes and higher prices primarily related to the increased London Metal Exchange ('LME') price for aluminium. This followed a reduction of 4% between 1998 and 1999 as a result of lower metal prices and sales.

### European markets

Deliveries to European markets amounted to 0.574mt in the fifteen month period. Deliveries increased marginally from 0.226mt in the first half to 0.241mt in the second half. Deliveries in the twelve months to December 2000 at 0.467mt were 16% up on comparable 1999 levels following a reduction of 6% in the preceding year. The increase was due to better plant performance following capital expenditure in calendar year 1999.

Overall European demand has been buoyant during the year across most product segments, leading to plant generally being run at or near capacity. Demand for rolled and extruded aluminium products in the EU rose by 4.5% to 5% in calendar year 2000, driven by rising production in all main end-using industries and

increasing penetration in the transport equipment industry. Order books remained good at the close of the year.

### Other markets

Deliveries to markets outside Europe amounted to 0.131mt in the fifteen month period. Deliveries reduced between the first half at 0.066mt and the second half at 0.050mt. Deliveries in the twelve months to December 2000 at 0.116mt were 104% up on calendar year 1999 following a reduction of 6% in the preceding year. The increase was due to the acquisition of a controlling interest in Reycon.

Demand from the North American automotive markets dropped in the last quarter of 2000 after being strong through most of the year, leading to reduced production at Reycon. Overall demand for rolled and extruded products in the USA hardly exceeded the level in calendar year 1999 due to this steep fall in demand in the final quarter.

### Prices

Average revenue per tonne for the fifteen month period amounted to £1,740 and to £1,760 for the twelve months to end December 2000. The latter compared with £1,519 in 1999 and £1,677 in 1998. Between the first and second half the average revenue per tonne rose slightly from £1,757 to £1,763, price increases in the second half being offset by mix changes as the proportion of fabricated products fell.

Pricing of aluminium products is heavily influenced by the price of metal traded on the LME in US dollars, and the euro/US\$ exchange

rate. In the fifteen month period the underlying LME price was \$1,550/tonne, which compared with \$1,329/tonne in the twelve months to December 1999 and \$1,569/tonne in the twelve months to December 2000. Combining the exchange rate movement and LME movements meant prices for slabs and billets increased by 35% between the calendar years 1999 and 2000, with the second half of 2000 showing an increase of 8% versus the first half.

Long term contracts reduced the impact of metal price movements. When combined with product mix improvements the business continued to make, this led to fabricated product prices increasing by 9% in the twelve months to December 2000 compared to the preceding twelve months. The second half showed an increase of 6% versus the first half.

### Operating costs

Operating costs for the fifteen month period were £1,118m, and increased between the first half and second half by £36m due to the higher metal price and increased power costs.

Operating costs for the twelve months to December 2000 at £932m were 46% higher than the equivalent period in 1999 reflecting the acquisition of Reycon, and increased metal prices. This followed a reduction of 2% between 1998 and 1999 as a result of lower metal prices and sales.

The raw material requirements for the aluminium businesses of Corus are met partly by importing alumina for production of primary aluminium and partly by buying additional primary aluminium and aluminium scrap.

### Dynamics of the business

In the fifteen month period, Europe accounted for 77% of aluminium segment turnover. The principal factors influencing financial performance are demand levels for fabricated products, the LME price for metal, the euro/US\$ exchange rate and the operational performance of plants.

### Demand

Demand for primary aluminium in the western world rose by 3.5% in 2000, with a steep rise in the first half but hardly any improvement thereafter. Supply rose only modestly as an increase in production by 2.5% was largely offset by lower net imports from the CIS and China. As demand outpaced supply, stocks declined. In the second half, a significant amount of smelter capacity was idle due to high spot electricity rates in the US but, as this coincided with a weakening in demand, prices remained relatively stable.

World-wide demand for aluminium products continued to grow at 3.5% per annum overall. The particular specialist niches that the business targets, such as aircraft and automotive applications, have seen good growth over recent years. Notwithstanding the trend growth, the North America automotive market decreased at the end of 2000, particularly as stocks were rebalanced. More normal growth is expected to return in 2001.

### LME price

Aluminium ingots for further processing are widely traded on the LME, providing fully transparent pricing for world-wide trading. Aluminium is traded on the LME in

### Major capital projects

Completed in the period	Capital cost £m	Completion date
Aldel – retrofit project	39	Jun 00
Koblenz – plate programme (1998 phase)	12	Dec 00
Cap-de-la-Madeleine – 4-high non-reversing cold mill	11	Dec 00
In progress at end December 2000		
Bonn – 90MN extrusion press	10	Mar 01
Duffel – continuous annealing line for aluminium	35	Dec 02

US dollars, with prices normally quoted for delivery three months ahead. As LME pricing increases then profitability of the business tends to increase. The aforementioned price movements were therefore a factor in the improving profitability of calendar year 2000 compared with calendar year 1999.

### Exchange rates

Aluminium is traded world-wide in US dollars. Weakness of the euro against the US dollar leads to increased selling prices for the business, and margin improvements in the primary end where costs of production are only partly influenced by the US dollar movement against the euro.

### Operational performance

The business enjoyed much improved performance during calendar year 2000. This arose in particular from a full year's benefit from the developments at Aldel and Duffel flowing into the 2000 results.

### Investment

Capital expenditure during the fifteen month period amounted to £54m. The retrofit project at Aldel was completed, involving operational efficiency and environmental improvements to the smelting plant. At Koblenz, the 1998 phase of the plate capacity expansion programme was also completed. This phase

entailed expansion of the homogenisation and annealing capacity, preheating section of the hot mill and inspection facilities, all designed to raise plate output, in particular to the high value aircraft market. At Cap-de-la-Madeleine, the installation of a new Achenbach 4-high non-reversing cold mill was largely completed. This will enable the plant to increase sales of high added value light gauge bare and brazing finstock, and brazing sheet for the automotive market.

The large 72MN press at the Bonn extrusion plant was replaced by a new 90MN press which starts commissioning in the first quarter of 2001. This will strengthen the leading position of the business in the specialised large extrusion market.

In October 2000, an investment commenced at the aluminium rolling plant at Duffel in Belgium for a continuous annealing line with additional surface pre-treatment facilities. This line will be dedicated to supplying the automotive industry, and will be capable of producing up to 60k tonnes of sheet a year.

### People

The new Group quickly established health and safety as its top priority. Implementation of Corus wide strategies and programmes for continued improvement in safety

performance has been successfully achieved utilising both expert advice from world leader DuPont Safety Services and internal benchmarking to encourage in sharing of best practice between businesses. Corus Aluminium Walzprodukte GmbH in Koblenz was commended by the European Aluminium Association for health and safety performance relative to industry standards.

Most regrettably, however, across the Group ten fatal accidents occurred during the fifteen month period, one of which was to a contractor. These accidents have been the cause of the greatest concern and each has been fully investigated in order to ensure no possible repetition.

Integrated policies were also created by the Company in other key areas of human resource management such as management development, succession planning, graduate recruitment and retention, and education and training, targeted on best international practice. These provide a coherent foundation for Corus to be able to maximise the contribution of all employees in improving the Group's performance.

At the end of September 1999 the number of employees in the British Steel Group was 42,800. On the creation of Corus in October 1999, the new Group employed 64,000 people which increased to 64,900 by December 2000. The net increase of 900 reflected changes from acquisitions of 4,300, disposals of 600, and a net reduction of some 2,800 mainly as a result of continuing manpower productivity and efficiency improvement measures. In the major business locations of the UK and the

Netherlands, manning levels declined from 34,200 to 32,900 and from 13,300 to 12,900 respectively in the review period. As a result of acquisitions, manning in Germany increased from 5,500 to 6,800.

The average number employed by the Group for the fifteen month period was 64,700 including 33,800 in the UK, 13,100 in the Netherlands and 5,900 in Germany. This compared with 43,700 employed by British Steel in the six month period.

The British Steel Pension Scheme (1990) is the main UK pension scheme of the Group and members contribute at the rate of 5% of pensionable earnings. Following the actuarial valuation as at 31 March 1999, the Actuary certified that the Company contributions to meet the cost of future service benefits should be reduced to 2% effective 1 October 1999. This rate has been in force since that date and will be subject to review at future actuarial valuations. The next formal valuation of the Scheme will be undertaken as at 31 March 2002. The main features of the 1999 valuation of the Scheme and information about other UK pension schemes operated within the Group are provided in Note 33 to the Accounts.

The Stichting Pensioenfonds Hoogovens ('SPH') scheme is the principal pension scheme of the Group in the Netherlands and contributions in 2000, which can vary according to the funding ratio of the Scheme, stood at 7% from the Company and 4% from members relative to gross earnings.

In order to underpin its drive to gain competitive advantage, the Company

maintained its activities in education and training with an investment of some £80m during the review period across all levels of employee. The major areas of spend focused on consolidating teamworking and simplified management structures.

Extensive briefings of employees, Works Councils and Trade Unions, both formally and informally, took place to explain the organisation changes and associated issues that arose as a consequence of the formation of the new company and, to facilitate this process, a new Corus European Works Council was established to replace the predecessor arrangements. Across the Group, significant effort was dedicated to creating new performance improvement initiatives in concert with Works Councils and Trade Unions, which was given added urgency by the trading environment. The response of the workforce to the difficulties the Company experienced was excellent.

### **Environment and the community**

Corus is subject to the rapidly developing and sometimes stringent environmental laws and regulations in the countries in which it operates. Although there are risks of significant environmental costs and liabilities inherent in its operations, the Company is prepared to undertake such investment and remedial action as may be reasonably required but does not consider that they will have a material adverse effect on its financial position. Liability may also arise in the context of the occupation or ownership of premises by Corus and even the prior and subsequent ownership or occupation by other parties of those premises.

Environmental protection is fundamental to the operations of Corus and it is seen as everybody's responsibility. A high standard of environmental awareness amongst staff is a prerequisite for achieving good performance and the Company is committed to providing effective education and training at all levels within the Group. Over 50% of operational sites are now certified to the independently verified international environmental management standard ISO 14001.

Product stewardship and continued development has led to better, stronger and lighter products which allow customers to develop everyday items which have better environmental performance and use less energy. Corus also seeks to minimise its arising waste and to develop new outlets for by-products.

Voluntary agreements between industry and Governments achieve environmental improvements more effectively than fiscal measures such as taxes. The Company has made a number of such voluntary agreements in the Netherlands, most recently for energy usage at the IJmuiden site. Through this type of agreement the Company will significantly reduce emissions of the greenhouse gases carbon dioxide and perfluorocarbons in order to achieve the targets set by the Kyoto Protocol.

In the UK Corus has signed an agreement with the Government as part of the UK's Climate Change Levy. Energy intensive industries may claim an 80% reduction in the energy tax if they have an agreement with the Government to reduce energy. The anticipated net cost to Corus of the

energy tax will be of the order of £8m per year. The only outstanding issue is approval of the Government's proposal for the reduction in Climate Change Levy under the European Union's state aid rules for environmental protection.

A wide variety of methods have been developed with a view to ensuring that environmental performance not only meets the Company's own high standard, but can also conform to local and national regulatory requirements. Nevertheless with the complex nature of operations in Corus there have been two incidents in 2000 which have resulted in legal prosecution against the Group. Such incidents are regrettable and the Company continues to review training, management systems and safeguards to minimise the likelihood of their recurrence.

The latest environmental report of Corus which details progress and environmental policy is available by viewing the Company's web site on [www.corusgroup.com](http://www.corusgroup.com).

### Technology

For a company that aims to be a world leader in its major markets and to establish long lasting business relationships with key customers, maintaining an internal research and development base is essential to long term competitiveness. Only by supplying value added products and by adding value to these products, such as expert support to help customers achieve optimum results in using products in their applications, can lasting competitive advantage be realised. Customer oriented R&D thus provides a means to increase

shareholder value and benefits for customers.

The main objective of Corus' R&D is to enhance the competitive position of Corus by executing projects that allow the business to supply value added products and services to customers and to apply cost effective process technology, now and in the future. Very important in this context is collaborative R&D down the value chain, with customers and their customers, as well as with specialised research institutes.

At present, Corus operates three R&D centres in the UK and one in the Netherlands. These centres form one organisational entity, with multi-site departments and collaboration between the sites in R&D projects. In order to create better conditions for effective market and application oriented research, a decision was taken in June 2000 to replace the three existing sites in the UK by one UK technology centre. A split in activities will be made such as to create two genuine centres of excellence in designated areas of technology.

Recent achievements in market oriented research include the development of the polymer coated steel sheet for packaging purposes, Protact, which was presented to the market in 1999 and is now being produced on a production line in Belgium. Protact is the result of a research project in which the Corus Centre for Packaging Technology collaborated with external parties such as polymer suppliers. Another example of a development for the packaging market is the square cross-section food can, Le Carré, a can

design that in addition to being lighter than traditional food cans has better mechanical properties, allows more effective transport and exhibits an attractive look on the shop shelf. For this product Corus received the Can of the Year Award as well as the Dutch Gouden Noot Award for an outstanding innovation in packaging.

In the automotive area, an extensive project aimed at the development of aluminium car body sheet enabled Corus to gain supply contracts with some major European car makers in 2000. A joint research project with the Swiss firm Soudronic resulted in a technique to produce hydroformed tubular blanks. This new product was officially launched in spring 2000.

For the building market, Corus is involved in the global FutureHome project, for which new architecture for modular off-site steel framed housing has been developed in collaboration with other companies. The scope of the work was broad and included aspects of the manufacturing process and the use of advanced information technology systems for material and product tracking.

The Corus Construction Centre was established in January 2000. Its objective is to give architects, engineers and other construction professionals easy access to advice across the full range of construction projects and services available from Corus. During the year this shared market focused resource handled over 1,200 enquiries per month and supported the use of Corus construction products in around 800 projects across the UK, Europe and the rest of world. The Centre also plays a key role in developing the

Company's relationship with the whole construction sector. It is actively involved in the development of new products, services and partnerships to meet the needs of clients and customers in the residential, non-residential and infrastructure segments of the European construction market.

A subject of continuous attention and progress is aluminium alloy development, which allows Corus to maintain and strengthen its leading position as a supplier of plate material to the aircraft and shipbuilding industries and brazing sheet for heat exchangers.

New products also require adequate production processes. Much effort is therefore spent on the improvement and adjustment of existing processes and the determination of the relation between process parameters and product properties, as well as on exploring new process technologies.

Since the merger, information technology has helped bring Corus together. By linking voice and data networks, and establishing clear standards for desk to desk and data communication a valuable tool was available to employees from October 1999. Voice links now allow approximately 35,000 employees to access each other through desk to desk dialling, data links have been established between businesses, and 25,000 desk top PCs are linked via one enterprise address book on the Corus e-mail system. In addition, foundations have been laid for ongoing system development, improved contract management, and e-enablement to allow projects to develop on a secure shared platform.

The business to business (B2B) e-Commerce market is in the early stages of an apparently rapid expansion in all sectors around the world, and steel is no exception. The Internet is likely to have a major impact in future on how steel is bought and sold, and Corus plans to keep pace with these developments. The Company is working in conjunction with Arbed/Aceralia, Thyssen Krupp and Usinor to create Steel24-7.com, a new market place dedicated to the sale and supply management of steel products, and BuyForMetals.com, a new market place for the procurement of goods and services in the metals industry. Both these new e-Commerce platforms are expected to become operational during the first half of 2001.

### **Business risk management**

The risk management review process established in the Company in 1996/97 has been extended to incorporate the former Hoogovens businesses and has been adapted to ensure compliance with the corporate governance requirements set out in the 'Internal Control Guidance for Directors on the Combined Code'. Based on this approach, a full assessment of business risk, its potential impact, and the adequacy of prevention, monitoring and modification practices adopted to manage the risk was undertaken commencing in February 2000. As part of this approach, an initial high level assessment of the principal risk areas and related risk management practices for the merged group was undertaken by managing directors, and reviewed by the Executive committee and Audit committee.

Managing directors are responsible for assessing risk, and for ongoing monitoring and adequacy of related control procedures. They are also responsible for conducting a detailed reappraisal of their assessment each year. This will normally be conducted at the end of the third quarter in each year and will be reported to the Executive committee, Audit committee and Board.

Monthly reports have been made to the Executive committee since April 2000 dealing with significant changes in risk and controls in the period. With effect from the end of that quarter, regular detailed reports have been made to the Executive committee on a quarterly basis concerning risk, and associated control and monitoring procedures. The results of these reports are reported to the Board and Audit committee.

Avesta Sheffield also conducted a detailed assessment of major business risk and related risk management practices during the period, the results of which were reported to that company's Audit committee. In order to ensure ongoing monitoring and reporting, regular reviews with business management have been extended to include specific review of risk and risk management issues. In the latter part of the year such reviews were suspended as extensive due diligence was undertaken on the proposed merger with Outokumpu which also involved focus on key risks and risk management processes of both businesses. As noted below, the merger to create AvestaPolarit was completed in January 2001 and, accordingly, that company is no longer a subsidiary of Corus.

Nevertheless, the Company through its membership of the Board of AvestaPolarit will seek to influence the corporate governance arrangements to be implemented with a view to achieving consistency with the principles of the Turnbull report.

To reduce its exposure to catastrophe losses, Corus uses insurance, part of which is arranged through wholly owned subsidiaries, Crucible and HVM, which reinsure catastrophe risks with the external insurance market. The net book value of investments held by Crucible and HVM at the end of December 2000 was £40m (1999: £116m; 1998/99: £117m; 1997/98: £166m). Investment income earned is not included under Group interest and investment income but instead is taken into account in the assessment of the underwriting results and liabilities of Crucible and HVM. These, in turn, form part of the Group's insurance costs and arrangements.

### **Economic and monetary union (EMU) and the euro**

On 1 January 1999 the rates of conversion between the euro and the currencies of participating countries in EMU were irrevocably fixed, and the euro became a currency in its own right. The national currencies within the euro-zone were no longer economically independent but became denominations of the euro with fixed rates of exchange.

The former Hoogovens Group switched to the euro at the time of its introduction when it became the official currency of that Group.

Preparations for the euro in the financial and operational systems of the former British Steel components

of Corus are ongoing. A number of businesses located in the euro-zone have already converted their base currency to the euro, whilst others have opted to delay conversion until 1 January 2002 to avoid any period of operating in dual currencies. In all cases businesses located in the euro-zone will comply with legislation to have replaced national currencies with the euro by 1 January 2002.

Businesses located in the UK and in other European countries outside the euro-zone are currently capable of undertaking transactions in the euro, just like any other foreign currency. As regards businesses located in the UK, until the position on UK entry to the euro-zone becomes clearer, the Company will refrain from undertaking the investment in computer systems necessary to convert base currency to the euro.

### **Acquisitions and disposals**

In addition to the merger of the British Steel and Hoogovens Groups, the most significant acquisitions in the fifteen month period are noted below.

The rail manufacturing business, Sogearail, and its associated sales company, Materiel de Voie, were acquired in October 1999 from the French steel group Usinor for a price of £83m. A controlling interest of 60% was acquired in January 2000 in Reycaan Inc., a Canadian aluminium rolling operation, in agreement with Reynolds Metals Company and SGF Mineral Inc. for £43m. On 16 August 2000, European Electrical Steels, the 75%-owned subsidiary, acquired the largest laminator of electrical steels in Europe, Kienle & Spiess GmbH, for £61m.

Corus has also reached agreement with the French manufacturer of switches and crossings, Cogifer Cie Generale d'Installations Ferroviaires SA, to create an equally owned UK-based joint venture, Corus Cogifer Limited.

In September 2000, Corus announced the creation of AvestaPolarit to be formed by the merger of Corus subsidiary, Avesta Sheffield, with the stainless steel activities of Finnish producer, Outokumpu. AvestaPolarit is the world's second largest stainless steel producer and Corus has a holding of 23%. With effect from 22 January 2001 Avesta Sheffield ceased to be a subsidiary of Corus and, from the same date, AvestaPolarit became an associated undertaking.

### **Accounting policies**

The acquisition of British Steel by Corus pursuant to a Scheme of Arrangement of British Steel under section 425 of the Companies Act 1985 has been accounted for in accordance with the principles of merger accounting, although it does not satisfy all the conditions required. However, in the opinion of the directors, the Scheme of Arrangement is a Group restructuring rather than an acquisition since the shareholders of Corus are the same as the former shareholders of British Steel and the relative rights of each shareholder are unchanged. Having regard to the overriding requirement under section 227(6) of the Companies Act 1985 for the accounts to give a true and fair view of the Group's results and financial position, the directors have adopted merger accounting principles in drawing up these accounts.

The subsequent acquisition of Hoogovens by Corus has been accounted for as an acquisition.

Details of the main accounting policies used by the Group appear on pages 40 to 42. The financial statements to 30 December 2000 have been produced in accordance with the standards issued by the Accounting Standards Board, except as noted below.

There have been five new standards issued since the last Report & Accounts. FRS 15 'Tangible Fixed Assets' and FRS 16 'Current Tax' have both been adopted in these accounts but do not result in changes to accounting policy nor do they have a material effect. FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax', have all been issued during November and December 2000, and application is not mandatory for the current year. These standards have not yet been adopted.

FRS 17 requires any surplus or deficit on the Group's pension schemes to be recognised in the balance sheet. The two principal pension schemes Corus operates are in significant surplus which will result in an additional asset being recognised. At 30 December 2000, Corus estimates this asset to be £1,050m before taking into account any tax effects.

For discussion of the results in accordance with US GAAP see the 'Supplementary information for North American investors' on pages 74 to 76.

UK law allows companies to have a reporting period of over twelve months. Under US reporting a period should not be longer than twelve months. However where a company's local requirements allow an extended period, application can be made to the Securities and Exchange Commission ('SEC') to file accounts with a period in excess of one year. Corus obtained this dispensation from the SEC upon the agreement that unaudited twelve months and three months period information for the profit and loss account would be included in the financial statements for the fifteen month period ended 30 December 2000.

# Financial review

## Loss for the financial period, total recognised gains and losses and shareholders' perspective

The loss for the fifteen month period after interest, tax and minority interests was £1,349m, representing a loss per share of 43.38p. Translation losses of £31m arose on foreign currency net investments, mainly from the Group's investment in Avesta Sheffield AB and Koninklijke Hoogovens NV, so that total recognised losses in the period amounted to £1,380m.

The Board has not recommended the payment of a final dividend.

Shareholders' funds reduced by £734m to £3,440m, reflecting the acquisition of Hoogovens and the loss for the period, and representing net assets of 110.22p per share. The Company's share price fluctuated within the range of 47.50p to 174.25p from the date of the merger, 6 October 1999, with a price at the end of the period of 70.50p and stock market capitalisation of £2,200m.

## Capital structure and treasury policy

Average net debt during the fifteen month period was some £1,603m and net debt at 30 December 2000 amounted to £1,676m (2 Oct 1999: funds of £161m; 3 Apr 1999: funds of £463m; 28 Mar 1998: funds of £446m). Cash and short term investments at 30 December 2000 amounted to £273m.

The treasury policies summarised below applied throughout the period and are consistent with the prior year and with policies previously applied by the Hoogovens Group prior to the merger.

At 30 December 2000, the Group had £2,508m in committed borrowing facilities, including an €1,500m syndicated facility of Corus and various facilities of the former Hoogovens Group, of which £836m was unutilised. The committed facilities included £894m of facilities of the former Hoogovens Group, use of which is restricted to funding that part of Corus.

On 31 January 2001, Corus arranged a new €2,400m bank facility, which will replace the €1,500m syndicated facility and most of the committed bank facilities of the former Hoogovens Group. The Company believes that these are sufficient to meet the needs of its present activities. Both the new and existing major borrowing facilities incorporate covenants on balance sheet ratios but not on interest cover or cash flow.

Total borrowings at 30 December 2000 were £1,949m. These included €396m in 5.375% euro bonds due 2006 (€400m issued at 99.086%), £198m in 6.75% sterling bonds due 2008 (£200m issued at 99.122%) and a fixed rate 11.5% debenture stock of £150m repayable in 2016, together with the following bonds issued by the former Hoogovens Group: NLG250m 7% bonds due 2002, NLG200m 6.75% bonds due 2004, NLG335m 4.625% convertible bonds due 2007 and NLG300m 5.625% bonds due 2008. Other borrowings included £537m principally in US dollars, euros and sterling under long term bank facilities with maturities of up to five years, bank overdrafts of £58m and finance lease obligations totalling £40m. Of the total borrowings, £973m of bank borrowings carry interest on variable rate terms, which ranged at

period end between 2% and 10.8% with a weighted average of 6.1%.

## Foreign exchange risk management

The Group's policy is to protect the value in translation of assets denominated in foreign currency and, therefore, to hedge a proportion of material overseas investments either with foreign currency borrowings or cross currency swaps, consistent with maintaining a prudent approach to the value of currency liabilities when translated back to sterling. In the case of the investment in Koninklijke Hoogovens NV and Avesta Sheffield AB, where the risk tends to be balanced over time by the contra-effect of exchange rate movement on Koninklijke Hoogovens NV and Avesta Sheffield's competitiveness and profitability, no hedge is undertaken. The period end position was compatible with the Group's policy and strategy which was applied consistently throughout the period. At 30 December 2000 the Company had, for the purpose of hedging overseas investments, drawn down in US dollars £310m under the Corus syndicated facilities extending to 2004. Additionally, the Group had £634m in euro denominated borrowings. There were no cross-currency swaps held at the period end.

It is the Group's policy that all the net currency transaction exposure arising from contracted sales and purchases is hedged by selling or purchasing foreign currency forward. At 30 December 2000 the Group held forward currency sales of principally mainland European currencies amounting to £682m (period end value £703m) and forward currency purchases of principally US dollars

amounting to £203m (period end value £197m). These amounts represented substantially 100% of the contracted currency transaction exposure in these currencies at 30 December 2000. Foreign exchange contracts do not generally extend beyond twelve months.

### **Commodity risk management**

The Group makes only limited use of commodity futures contracts to manage its purchase price risk for certain commodities. In the aluminium segment forward hedges, purchases and sales of metal are made to reduce the potential volatility of operating results. Forward purchases of aluminium on the LME are made to match sales agreements in which the price of the aluminium element is wholly or partly fixed. Other LME purchases and sales are made to hedge against the costs of production for fixed periods. Across the Group forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices. At 30 December 2000 the Group had total commodity contracts of £203m (fair value £199m).

### **Interest rate risk management**

The Group's financial structure is conservative and it is Group policy for 50-70% of net debt to be at fixed rates, principally achieved by fixed rate borrowings. At 30 December 2000, 58% of net debt had fixed interest rates. Where appropriate, however, use is made of swaps and forward rate agreements.

None of the above instruments are used by Corus for the purposes of speculation.

Further details of the use of financial instruments are included in Notes 21 and 22 to the accounts on pages 57 and 58. In the normal course of business, the Group also faces risks that are non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk.

### **Sensitivity analysis**

At 30 December 2000 the Group had outstanding forward contracts of £479m in respect of actual and forecast transaction exposures. The period end value of these contracts at 30 December 2000 amounted to £506m resulting in a fair value of £27m. A 10% appreciation of sterling would decrease the fair value of these contracts by £47m.

At 30 December 2000 the Group had net debt of £700m exposed to floating interest rates. A 1% decrease in average interest rates would cause an increase in annual future earnings of £9m before tax.

### **Taxation**

The net taxation charge for the period was £8m, after prior year credits amounting to £27m. Within the total, UK corporation tax at 30% was £6m, reduced to £1m by double taxation relief. Taxation on the Group's overseas profits amounted to £32m and the Group's share of taxation of joint ventures and associated undertakings amounted to £2m.

### **Funds from operating activities and other cash flows**

Net funds decreased by £1,837m in the period giving a movement from net funds of £161m at 2 October 1999 to net debt of £1,676m at

30 December 2000. Net debt consisted of borrowings of £1,949m less cash balances and deposits of £273m. The movement to net debt largely reflected the formation of the new Group, its continued move into downstream activities and the capital expenditure programme.

Following the merger in October 1999, £689m was paid to shareholders of British Steel in the form of a cash distribution of 35p per ordinary share. The net cash outflow on acquisitions and disposals was £259m, including the purchase of Hoogovens preference shares of £67m, and outflows on capital expenditure and financial investment were £291m. Net cash inflows from operating activities of £100m and tax receipts of £43m were offset by the impact of outflows on investments and servicing of finance of £112m (reflecting the movement of net debt), and dividend payments of £31m.

### **Minority interests**

At 30 December 2000, minority interests in subsidiary undertakings amounted to £402m (1999: £309m; 1998/99: £311m; 1997/98: £351m) arising principally from the consolidation of Avesta Sheffield AB.

# The Board

## **Sir Brian Moffat OBE** <sup>(c)(d)(e)</sup>

### **Chairman & Chief Executive**

Sir Brian Moffat (62) was appointed Chairman of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He also temporarily assumed the role of Chief Executive in December 2000 subsequent to the resignations of the Joint Chief Executives. He is chairman of the Nominations committee and serves on the Environment committee. He joined British Steel in 1968 and held various senior positions before being appointed Managing Director, Finance in 1986, becoming Chief Executive in 1991 and Chairman in 1993. He relinquished the post of Chief Executive in 1999, but remained as part-time Chairman. He is a non-executive director of HSBC Holdings plc and Enterprise Oil plc, and a member of the Court of the Bank of England.

## **Mr Hendrikus de Ruiter** <sup>(a)(c)(d)</sup>

### **Deputy Chairman, Independent**

Hendrikus de Ruiter (67) was appointed a non-executive director and Deputy Chairman of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He is chairman of the Remuneration committee and serves on the Nominations and Environment committees. He joined the Supervisory Board of Koninklijke Hoogovens NV in 1995 and was appointed Chairman in 1997. He was also chairman of the nominations and remuneration committees. He was previously Managing Director of N.V. Koninklijke Nederlandsche Petroleum Maatschappij and also Group Director of Royal Dutch Shell Group of Companies (1983-1994). He is currently a member of the supervisory boards of N.V. Koninklijke Nederlandsche Petroleum Maatschappij, Shell Petroleum N.V., The Shell Petroleum Comp. Ltd, Aegon N.V. (Vice Chairman), Heineken N.V., Koninklijke Ahold N.V. (Chairman), Koninklijke Vopak N.V., Wolters Kluwer N.V. (Chairman) and Beers Bedrijfsauto B.V. (Chairman).

## **Mr Franswillem Briët** <sup>(e)</sup>

### **Executive Director**

Franswillem Briët (53) was appointed an executive director of Corus Group plc in December 2000. He has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He is responsible for a portfolio of businesses within Corus, including Corus Building Systems, Corus Consulting & Technical Services, Corus Packaging Plus, Corus Special Strip, Corus Tubes and European Electrical Steels. He joined the Board of Management of Koninklijke Hoogovens NV in 1997. He is a member of the Executive Board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and Chairman of the Supervisory Board of Koninklijke Tichelaar Makkum.

## **Sir Nicholas Goodison** <sup>(b)(d)</sup>

### **Independent**

Sir Nicholas Goodison (66) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He is chairman of the Audit committee and serves on the Nominations committee. He joined the board of British Steel plc in 1989 and was appointed Deputy Chairman in 1993. He was also chairman of the audit and remuneration committees. He was Deputy Chairman of Lloyds TSB Group (1995-2000), Chairman of TSB Group plc (1989-1995) and of the London Stock Exchange (1976-1988). He is a member of the Advisory Board of the Judge Management Institute, Cambridge and a trustee of the E-learning Foundation.

## **Mr Robertus Hazelhoff** <sup>(a)(b)</sup>

### **Independent**

Robertus Hazelhoff (70) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He serves on the Audit and Remuneration committees. He was appointed as a member of the Supervisory Board of Koninklijke Hoogovens NV in 1993 and was chairman of the reporting and audit committees. He was formerly Chairman of the Board of Management of Algemene Bank Nederland N.V. (1985-1990) and Chairman of the Board of Management of ABN AMRO Bank N.V. (1992-1994). He is currently a member of the supervisory boards of Heineken N.V. (Chairman), B.V. Exploitatie Maatschappij Carre, Gamma Holding N.V., N.V. Twentsche Kabel Holding (Chairman), Stork N.V. (Chairman), Nedlloyd Groep N.V. and Stichting Exploitatie Nederlandse Staatsloterij (Chairman). He was a member of the supervisory boards of De Nationale Investeringsbank N.V. (1985-1999) and N.V. Koninklijke Bijenkorf Beheer KBB (1994-1999).

## **Mr David Lloyd** <sup>(e)</sup>

### **Executive Director**

David Lloyd (37) was appointed Executive Director, Finance subsequent to the year end, on 1 February 2001. He became a member of the Executive committee in December 2000. He joined British Steel in 1985 and has held a number of senior financial positions within the Company.

**Mr Aarnout Loudon** <sup>(b)(d)</sup>**Independent**

Aarnout Loudon (64) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He serves on the Audit and Nominations committees. He was appointed as a member of the Supervisory Board of Koninklijke Hoogovens NV in 1982. He was a member of the nominations and remuneration committees. He was formerly Chairman of the Board of Management of Akzo Nobel NV (1982-1994) and is currently Chairman of the Supervisory Boards of Akzo Nobel NV, ABN AMRO Holding NV and ABN AMRO Bank NV, and Hollandsche Beton Groep NV. He is a member of the Supervisory Board of N.V. Koninklijke Nederlandsche Petroleum Maatschappij and a former member of the First Chamber of the Dutch Parliament.

**Mr Tony Pedder** <sup>(e)</sup>**Executive Director**

Tony Pedder (51) was appointed an executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. His responsibilities include the Corus Strip Products IJmuiden and Corus Strip Products UK businesses and Corus Colors. He is Vice-Chairman of AvestaPolarit AB. He joined British Steel in 1972 and was appointed to the board in 1992. He is a non-executive director of Delta plc and has been an Ambassador for British Business since 1997.

**Mr Bryan Sanderson CBE** <sup>(c)</sup>**Independent**

Bryan Sanderson (60) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He is chairman of the Environment committee and has served on the Remuneration committee. He joined the Board of British Steel plc in 1994 and served on the nominations, remuneration and environment committees, the latter of which he was Chairman. He served as a Group Managing Director of British Petroleum (1992-2000) during which time he was also Chief Executive of BP Chemicals. He is Chairman of the Learning and Skills Council, Chairman of Sunderland plc, Vice Chairman of the Court of Governors of the London School of Economics and Chairman (designate) of BUPA.

**Mr Richard Turner OBE** <sup>(a)(b)</sup>**Independent**

Richard Turner (58) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He serves on the Audit and Remuneration committees. He joined the Board of British Steel plc in 1994 and served on the audit and remuneration committees. He is Group Marketing Director of Rolls-Royce plc, a non-executive director of Senior plc and a member of the Board of British Trade International.

**Mr Maarten van Veen** <sup>(c)</sup>**Independent**

Maarten van Veen (66) was appointed a non-executive director of Corus Group plc in July 1999, after the formation of the Company for the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He serves on the Environment committee. He joined the Board of Management of Koninklijke Hoogovens NV in 1978 and was appointed Chairman in 1993. He was appointed to the Supervisory Board in 1998 and was a member of the nominations and remuneration committees. He is a member of the supervisory boards of Koninklijke Volker Wessels Stevin NV (Chairman), ABN AMRO Holdings NV and ABN AMRO Bank NV, Akzo Nobel NV and Internatio-Muller NV. He is Chairman of the Royal Concertgebouw Orchestra.

**Mr Henk Vrins** <sup>(e)</sup>**Executive Director**

Henk Vrins (56) was appointed an executive director of Corus Group plc in December 2000. He has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV in October 1999. He is responsible for a portfolio of businesses within Corus including Corus Primary Aluminium, Corus Aluminium Extrusions, Corus Aluminium Rolled Products, Corus European Market Unit, Corus International Market Unit, Corus North American Market Unit, and Supplies and Transport. He joined the Board of Management of Koninklijke Hoogovens NV in 1992. He is a non-executive director of International Aluminium Institute.

- (a) Member of Remuneration committee
- (b) Member of Audit committee
- (c) Member of Environment committee
- (d) Member of Nominations committee
- (e) Member of the Executive committee

# The Executive committee

Sir Brian Moffat

Chairman & Chief Executive

D M Lloyd Finance

R J Reeves Secretary

F C W Briët

A P Pedder

H A M Vrins

## Corus Building Systems

Steel and aluminium products for the building industry.

## Corus Consulting & Technical Services

Consultancy, technology, training and operational assistance to steel and aluminium industries.

## Corus Packaging Plus

Light gauge coated steel for packaging and non-packaging applications.

## Corus Special Strip

Hot and cold rolled precision strip, plated and clad strip products.

## Corus Tubes

Steel tubes, hollow sections, OCTG, linepipe and pipeline project management.

## European Electrical Steels

Electrical steels and other magnetic materials, flat and wound transformer cores, generator and motor laminations, carbide tools and dies, aluminium die casting.

## Corus Strip Products

Hot rolled, cold rolled and metallic coated steel.

## Corus Colors

Organic coated steels.

## Corus Primary Aluminium

Primary aluminium.

## Corus Aluminium Extrusions

Soft and hard extruded aluminium profiles, rods and bars.

## Corus Aluminium Rolled Products

Aluminium plate, sheet and coil.

## Corus European Market Unit

Full range of Corus products and processing services.

## Corus International Market Unit

Full range of Corus products and associated supply chain services.

## Corus North American Market Unit

Full range of Corus products and services.

## A J Johnston Personnel

### C Hollick

#### **Corus Construction & Industrial**

Plate, sections, piling, wire rod and semi-finished steel.

#### **Corus Engineering Steels**

Engineering billet, rolled and bright bar.

#### **Corus Rail**

Railway products, design and consultancy, rail infrastructure contracting.

#### **Corus Special Profiles**

Custom designed hot rolled special steel profiles.

#### **Corus Tuscaloosa**

Plate products in both coil and cut plate form.

The day to day management of the Company is conducted through the Executive committee which comprises the Executive Directors and other senior executives.

#### **Mr Chris Hollick**

Chris Hollick (53) has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV. He is responsible for Corus Construction & Industrial, Corus Engineering Steels, Corus Rail, Corus Special Profiles, Corus Tuscaloosa, Corus Mobile and Information Technology. He joined British Steel in 1967 and has held a range of senior positions across the Company.

#### **Mr Allan Johnston**

Allan Johnston (52) has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV with specific responsibilities for human relations and environment. He joined British Steel in 1970 and held various senior positions in the Company before being appointed to the Executive committee in 1997.

#### **Mr Richard Reeves**

Richard Reeves (55) is the Company Secretary of Corus Group plc and is Secretary of the Executive committee. He joined British Steel in 1989 as Company Secretary. He also has responsibility for Group property matters.

# Directors' report

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

## Review of the business

The Company was incorporated in the name of BSKH plc on 16 July 1999 for the purpose of the merger of British Steel plc and Koninklijke Hoogovens NV. The Company changed its name to Corus Group plc on 28 September 1999. The merger was implemented on 6 October 1999 by the Company acquiring British Steel plc (now Corus UK Limited) by the means of a Scheme of Arrangement under section 425 of the Companies Act 1985 and a public offer for all the Koninklijke Hoogovens NV ordinary shares.

The principal activities of the Group are the manufacture and sale of steel and aluminium.

A review of the Group's performance during the period, its prospects and future developments is given in the Review of the period on pages 4 to 17.

## Post balance sheet events

This is covered in detail in Note 35 to the accounts on page 71.

## Results and dividend

The loss before taxation was £1,271m for the fifteen month period ended 30 December 2000 (1999: loss of £167m; 1998/99: loss of £142m; 1997/98: profit of £315m).

An interim dividend of 1p per share on the issued ordinary share capital amounting to in aggregate £31m was paid during the year. The directors do not recommend the payment of any

final dividend (total dividend 1999: nil; 1998/99: 10p; 1997/98: 10p).

It is envisaged that the future dividends paid by Corus Group plc will vary with Corus Group plc's future earnings, cash flow and other factors affecting the Group's business. Corus will aim to pay dividends equal to around 35% of its estimated average annual earnings over the course of the business cycle.

## Fixed assets

This is covered in detail in Notes 11 to 13 to the accounts.

## Substantial shareholders

As at 28 February 2001, the Company had been notified of the following non-material interests in its issued ordinary share capital:

	% held
Brandes Investment Partners, LP	9.6
Deutsche Bank AG	4.7
The Capital Group Companies, Inc	3.1

No person had, as at such date, reported any material interest of 3% or more or any non-material interest exceeding 10% of the issued ordinary share capital of the Company.

## Directors

The directors of the Company who held office during the financial period to 30 December 2000 are listed on the opposite page.

On 31 January 2001, subsequent to the year end, Mr J L Rennocks retired as Executive Director, Finance and was replaced by Mr D M Lloyd on 1 February 2001.

The directors retiring by rotation are Sir Brian Moffat, Mr A A Loudon, Mr A P Pedder and Mr R T Turner who, being eligible, offer themselves for re-election.

Sir Brian Moffat temporarily assumed executive responsibilities in the combined role of Chairman & Chief Executive from 5 December 2000, to continue until such time as a new Chief Executive is appointed. He does not have a service contract.

As non-executive directors, neither Mr A A Loudon nor Mr R T Turner have service contracts with the Company. Mr A P Pedder has a service contract which provides for a two year notice period.

Mr F C W Briët, Mr D M Lloyd and Mr H A M Vrins, having been appointed since the last Annual General Meeting, retire and offer themselves for election.

Mr D M Lloyd has a service contract which provides for a one year notice period. Mr F C W Briët and Mr H A M Vrins have service contracts which provide for a four month notice period and are also subject to the provisions of the Dutch Civil Code. In addition, in the event of termination by the Company, Mr Briët would be entitled to compensation of at least two years' salary.

Mr R Hazelhoff will retire at the conclusion of the Annual General Meeting.

There were no contracts of significance subsisting during the period between the Company or any of its subsidiary undertakings and any substantial shareholder or director.

---

## Directors holding office during the period

	Date of Appointment	Date of Resignation
Sir Brian Moffat	23 July 1999	
Mr H de Ruiter	23 July 1999	
Mr F C W Briët	5 December 2000	
Sir Nicholas Goodison	23 July 1999	
Mr R Hazelhoff	23 July 1999	
Mr A A Loudon	23 July 1999	
Mr A P Pedder	23 July 1999	
Mr B K Sanderson	23 July 1999	
Mr R T Turner	23 July 1999	
Mr M C van Veen	23 July 1999	
Mr H A M Vrins	5 December 2000	
Mr J M Bryant	23 July 1999	5 December 2000
Mr J F van Duyne	23 July 1999	5 December 2000
Ms A Hoe (on incorporation)	16 July 1999	23 July 1999
Mr J L Rennocks	23 July 1999	31 January 2001
Mr R Stern (on incorporation)	16 July 1999	23 July 1999
Mr A van der Velden	23 July 1999	1 September 2000

---

## Corporate governance

Corus is committed to high standards of corporate governance for which the Board of directors is accountable to shareholders.

### Board

Until 1 September 2000, the Board comprised the Chairman, who was at that time non-executive, seven other non-executive directors and five executive directors. On 1 September 2000, Mr A van der Velden, an executive director, retired. On 5 December 2000, Messrs J M Bryant and J F van Duyne resigned their positions as Joint Chief Executives and the Chairman temporarily assumed the role of Chief Executive until a new appointment is made. On the same date, Mr F C W Briët and Mr H A M Vrins were appointed as executive directors. During the year, the Deputy Chairman, Mr H de Ruiter, was the senior independent director.

The Board meets on a regular basis, at least eight times a year, and has a formal schedule of matters for consideration and decision. There is a procedure for directors to obtain independent professional advice at the Company's expense in furtherance of their duties as directors if required. They also have access to the advice and services of the company secretary and other executives within the Company.

Biographies of all current directors are set out under The Board.

All directors have full and timely access to all relevant information which may be needed to enable them to properly discharge their duties.

Appointments to the Board are considered initially by the Nominations committee whose recommendations are then made to the full Board. Non-executive directors are appointed for terms

of three years and all directors are re-elected on a rotational basis. No director will serve for more than three years without being re-elected by the shareholders.

### Board committees

There are four main committees whose constitution and terms of reference are set out below. In addition, there is an Allotment committee which operates in connection with the Company's Sharesave Scheme.

#### Audit committee

The Audit committee comprises Sir Nicholas Goodison (Chairman), Mr R Hazelhoff, Mr A A Loudon and Mr R T Turner, all independent directors. It is responsible for reviewing all financial and other matters relating to internal control, financial reporting, the scope of both internal and external audits and other matters as requested by the Board.

#### Remuneration committee

The Remuneration committee comprises Mr H de Ruiter (Chairman), Mr R Hazelhoff and Mr R T Turner, and during the period under review Mr B K Sanderson, all of whom are independent directors. It is responsible for determining the remuneration and other contract terms for the executive directors and the company secretary. It is also responsible for the granting of options and the operation of the executive share option schemes.

#### Environment committee

The Environment committee comprises Mr B K Sanderson (Chairman), Mr H de Ruiter, Sir Brian Moffat and Mr M C van Veen. It is responsible for reviewing

the Company's performance in terms of compliance with environmental legislation and to formulate the Company's policies with regard to environmental issues.

#### Nominations committee

The Nominations committee comprises the Chairman & Chief Executive and three independent directors appointed by the Board. It considers the nomination of Board members and any new Board appointments. Sir Brian Moffat is chairman of this committee.

#### Relations with shareholders

There is regular dialogue with institutional shareholders and general presentations are given after the annual and interim results.

Full use is made of the Company's Annual General Meeting to inform shareholders of current developments and there is an opportunity for individual shareholders to ask questions both within the meeting itself and also before and after when a number of directors are available for this purpose.

Information on Corus is also made available on the web-site at [www.corusgroup.com](http://www.corusgroup.com).

#### Accountability and audit

A statement of the directors' responsibility for the preparation of the financial statements is set out on page 34.

Recognising the differing requirements of shareholder for information, the Company produces a full annual report including all the financial information which it is required to

make available to shareholders, in addition to a short form report which is sent to the overwhelming majority of shareholders. Any shareholder may request a copy of the full version at no charge, and contact details are provided for this purpose in the short form report.

The Company has also produced two interim reports during the financial period ended 30 December 2000. In future, the Company will produce a half yearly report.

In addition, the Company produces an Environmental Brochure which is available on request at no charge and which has a wide circulation beyond the shareholder base.

#### Going concern

The accounts have been prepared on a going concern basis since the directors are satisfied that the Company's activities are sustainable for the foreseeable future.

#### Internal control

The directors are responsible for the Group's system of internal control and reviewing its effectiveness.

The Board has designed the Group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- there are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- the business unit managing directors throughout the Group and corporate functional heads are required to annually undertake a full assessment process to identify and quantify the risks that face their businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and the associated control and monitoring procedures are made to the Executive committee. The Executive committee is responsible for reviewing the risk assessment for completeness and accuracy. The consolidated results of these reviews are reported to the Board to enable the directors to review the effectiveness of the system of internal control. The process which was implemented during the period, as explained on pages 15 and 16, accords with the guidance contained in the

document 'Internal Control Guidance for Directors on the Combined Code' as issued by the ICAEW;

- the Audit committee receives reports from both internal and external auditors on a regular basis and from executive directors of the Group. The internal audit department conducts reviews that include the control of financial systems and their associated computer environments, business unit operations and compliance. The Audit committee has during the period reviewed the effectiveness of the system of internal control as described above. The Environment committee receives reports on the environmental audits carried out across the Group. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the report and accounts for the financial period ended 30 December 2000 and up to the date of approval of the annual report and accounts that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described above during the period.

### Compliance with the combined code

The Board believes that during the period it has complied with the provisions of the Code of Best Practice with the following exceptions:

- the reduction of notice periods for directors to one year or less.

Mr A P Pedder had a contract providing for two years' notice from the Company at the time of the merger and this period has not been changed;

- currently the roles of Chairman & Chief Executive are combined.

This is a temporary situation, arising as a result of the resignation of the Joint Chief Executives in December 2000.

### Day to day management

The day to day management of the Company is conducted through the Executive committee which comprises the Executive Directors and other senior executives.

### Report on remuneration Remuneration policy

The Company's policy on executive remuneration is geared to attracting, retaining and motivating individuals

of the appropriate calibre and with the necessary skills to manage and develop the Company successfully in each of the countries where the Group has activities. The Board is advised on these matters by the Remuneration committee which meets as and when necessary. The committee met four times during the fifteen month reporting period. In addition to the Remuneration committee members, the Chairman & Chief Executive of the Company, Sir Brian Moffat, may attend meetings by invitation but is not present when his own remuneration is discussed.

The committee draws on expert advice from both external and internal sources to help develop remuneration packages for executive directors which fit sensibly within the range of practice among UK based companies (including multi-nationals) of similar size and complexity to Corus.

Emoluments of directors	15 months 2000 £	6 months 1999 £	12 months 1998/99 £
Executive directors:			
Salaries and related benefits	2,623,355	1,049,813	2,276,415
Performance related earnings	-	-	910
Deferred leave paid in lieu (i)	41,596	202,061	-
Non-executive directors:			
Fees and related benefits	284,874	78,833	155,354
Former directors			
Compensation to directors for loss of office (ii)	2,657,078	-	-
	<b>5,606,903</b>	<b>1,330,707</b>	<b>2,432,679</b>

- (i) The Company operates a deferred leave scheme for senior executives formerly employed by British Steel whereby one week's leave is earned for each year of service to be taken as extended leave during service or as salary in lieu to the extent not taken on leaving service. Executive directors participated in the scheme but ceased to do so in 1994. Accrued credits up to the date of cessation have been honoured to be taken as leave or as salary in lieu, and reported as emoluments in the year that the payment is made. The amount paid in 1999 related to Sir Brian Moffat and the amount paid in 2000 related to Mr Pedder whose entitlement from his British Steel service contract was paid in lieu at the time he signed his new contract. None of the directors now have any accrued credits.
- (ii) Compensation was paid to three directors: details are listed under terminations.

The key elements of executive directors' remuneration are:

- Basic salaries which align with comparator market practice and which are reviewed annually.
- An annual incentive scheme in which rewards depend on the achievement of stretching financial targets.
- An Executive Share Option Scheme as an incentive to contribute to the Company's longer term development and to increasing shareholder value.

- Membership of the appropriate Company arrangements providing pension benefits consistent with other eligible senior employees and with comparator company practice.

#### Basic salaries

New basic salaries for the executive directors were determined effective from 6 October 1999 which reflected the changes in responsibility of each of the directors in moving from their respective roles in the two former companies and which formed part of a new package of terms and conditions embodied in each of the

director's new service contracts.

Sir Brian Moffat's remuneration is under review in the light of his taking on the combined Chairman & Chief Executive role on 5 December 2000 and any increase will apply from that date. New basic salaries for Mr Briët and Mr Vrins effective from their appointment on 5 December 2000 will be implemented when the final details of their new service contracts have been agreed.

#### Annual incentive scheme

The schemes already in existence in the two former companies were used as the basis for bonus

### Analysis of executive directors' emoluments

	Basic salary and fees			Performance related earnings			Taxable Benefits			Total		
	15 months 2000 £	6 months 1999 £	12 months 1998/99 £	15 months 2000 £	6 months 1999 £	12 months 1998/99 £	15 months 2000 £	6 months 1999 £	12 months 1998/99 £	15 months 2000 £	6 months 1999 £	12 months 1998/99 £
Sir Brian Moffat (i)	302,818	318,447	477,223	-	-	130	53,842	7,593	43,009	356,660	326,040	520,362
F C W Briët	19,000	-	-	-	-	-	4,746	-	-	23,746	-	-
J M Bryant	481,400	200,000	285,926	-	-	130	28,443	24,140	42,911	509,843	224,140	328,967
J W Edington (ii)	-	117,662	234,420	-	-	130	-	11,837	23,584	-	129,499	258,134
H Homer (ii)	-	131,210	262,043	-	-	130	-	24,158	40,256	-	155,368	302,429
J B McDowall (ii)	-	134,710	269,043	-	-	130	-	7,430	38,685	-	142,140	307,858
A P Pedder	423,512	128,585	256,793	-	-	130	59,639	17,618	46,933	483,151	146,203	303,856
J L Rennocks	345,074	117,662	234,429	-	-	130	29,355	10,822	21,160	374,429	128,484	255,719
J F van Duyne	487,256	-	-	-	-	-	68,388	-	-	555,644	-	-
A van der Velden	307,708	-	-	-	-	-	30,265	-	-	337,973	-	-
H A M Vrins	19,000	-	-	-	-	-	4,505	-	-	23,505	-	-
Sub total	2,385,768	1,148,276	2,019,877	-	-	910	279,183	103,598	256,538	2,664,951	1,251,874	2,277,325

### Analysis of non-executive directors' emoluments

H de Ruitter	72,300	-	-	-	-	-	-	-	-	72,300	-	-
J F Devaney (ii)	-	11,000	12,354	-	-	-	-	-	-	-	11,000	12,354
Sir Nicholas Goodison	39,549	27,500	55,000	-	-	-	-	-	-	39,549	27,500	55,000
K W Gray (ii)	-	11,000	22,000	-	-	-	-	-	-	-	11,000	22,000
R Hazelhoff	33,369	-	-	-	-	-	-	-	-	33,369	-	-
A A Loudon	33,369	-	-	-	-	-	-	-	-	33,369	-	-
B K Sanderson	39,549	11,000	22,000	-	-	-	-	-	-	39,549	11,000	22,000
Sir Giles Shaw (ii)	-	7,333	22,000	-	-	-	-	-	-	-	7,333	22,000
R T Turner	33,369	11,000	22,000	-	-	-	-	-	-	33,369	11,000	22,000
M C van Veen	33,369	-	-	-	-	-	-	-	-	33,369	-	-
Sub total	284,874	78,833	155,354	-	-	-	-	-	-	284,874	78,833	155,354
Grand total	2,670,642	1,227,109	2,175,231	-	-	910	279,183	103,598	256,538	2,949,825	1,330,707	2,432,679

#### Notes:

(i) Sir Brian Moffat's emoluments in 1998/99 relate to both executive and non-executive duties.

(ii) The comparatives include the emoluments of directors who were directors of British Steel plc but are not directors of Corus Group plc.

payments at the end of December 1999. In the case of the executive directors who were former British Steel employees, the bonus was nil. In the case of the executive directors who were former Hoogovens employees, bonuses were paid at the rate of 10% of annual salary rate at the end of September 1999 in respect of the period to 5 October 1999 (i.e. before the formation of Corus).

For 2000, a new bonus scheme was introduced along with the new service contracts. The scheme is based on a sliding scale of profit after tax and minority interests, with a bonus of 5% payable at a profit of £300m and the maximum 50% payable at a profit of £750m. No bonus accrued for the twelve months ended 30 December 2000, reflecting the difficult year that the Company has been through.

#### Service contracts

In drafting the new service contracts that came into effect on 6 October 1999, the Remuneration committee took due cognizance of the directors' pre-existing terms and conditions in order to develop balanced and acceptable packages on the formation of the new Company. Accordingly, the service contracts for Mr Bryant, Mr Pedder and Mr Rennocks specified two years' notice from the Company and Mr van Duyne and Mr van der Velden (whose contracts were subject to Dutch law) had provisions in their contracts that were expected to have a similar effect. The Remuneration committee has agreed that all new executive director appointments will be

subject to a maximum of one year's notice on the part of the Company.

#### Termination payments

Mr van der Velden retired on 1 September 2000 at age 60, and Mr van Duyne resigned on 5 December 2000 at age 58. In line with normal practice within Koninklijke Hoogovens both are contractually entitled to pre-pension payments equivalent to 87.5% of net salary (based on their last fixed salaries) from age 60 to age 65 at which stage they become entitled to pensions from the Hoogovens pension scheme. The pre-pension is paid by the pension fund between the ages of 62 and 65.

In Mr van de Velden's case, pre-pension has been enhanced to 100% of net salary for the two years until he reaches age 62. In Mr van Duyne's case, pre-pension is being paid from his date of leaving until he reaches age 60 when the contractual entitlement commences. In both cases the cost of the pre-pension payment up to age 62 has been provided for in the accounts.

Mr Bryant also resigned on 5 December 2000 and, in accordance with his contract, a termination payment equal to the value of salary

and benefits for the unexpired part of his contract has been made to him.

The termination payments described above and either paid in the period or provided for in the accounts amount to:

Mr A van der Velden	£633,563
Mr J F van Duyne	£1,147,205
Mr J M Bryant	£876,310

#### Loans

In line with normal practice of Koninklijke Hoogovens NV, the following directors and former directors have interest free, unsecured loans from Koninklijke Hoogovens which originated before they joined the board of Corus Group plc (see table below). The Companies Act 1985 does not allow Corus Group plc to make or to have subsisting loans to directors, but does permit loans from overseas subsidiaries which were already in existence at the date of appointment to remain in place.

#### Pension arrangements

##### UK

Where executive directors are covered by the UK pension arrangements they are eligible for membership of the main section of the British Steel Pension Scheme (1990) in common with other eligible

#### Loans to directors

	Highest amount outstanding in the period (i)	Outstanding at end of the period	Repayment by
	£	£	
Mr F C W Briët	42,779	42,779	2018
Mr J F van Duyne	27,378	27,093	2035
Mr M C van Veen	25,952	25,667	2030
Mr A van der Velden	26,143	23,766	2010
Mr H A M Vrins	42,437	42,437	2036

(i) The amount shown is at 6 October 1999 for Messrs van Duyne, van der Velden and van Veen and is at 5 December 2000 for Messrs Briët and Vrins, the date of their appointment as directors.

*Pension benefits earned by directors – UK*

	Director's age at period end	Director's pension contributions during period £	Increase in accrued pension during period £ p.a.	Accumulated total accrued pension at period end £ p.a.
J M Bryant	57	24,553	41,241	206,319
A P Pedder	51	19,276	7,137	160,541
J L Rennocks	55	12,950	12,475	37,332

## Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year on normal pension age retirement based on service to the end of the current period.
- (ii) The details shown have been calculated as at 30 September 1999 and 31 December 2000 and exclude the amount and value of any additional voluntary contributions paid by the director. The increases in accrued pension during the period have been offset to take account of inflation on the accumulated total accrued pension.
- (iii) Normal pension age for the directors is age 60.
- (iv) Widow's pension is two-thirds of the director's pension.
- (v) An immediate pension is payable on early retirement on or after age 50 when retirement is at the request of the Company. If retirement is prior to age 55 then an actuarial reduction would be applied to reflect earlier payment of the pension. Mr J M Bryant retired on 5 December 2000 and the figures reflect this fact.
- (vi) In accordance with the pension scheme rules, pensions are increased annually after retirement by reference to increases in the Retail Prices Index.
- (vii) No discretionary benefits are applicable in the calculation of transfer values on leaving service. Any transfer value would be calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

employees, and of the supplementary section for senior managers.

The pension arrangements provide defined benefits which are separately funded and subject to Inland Revenue requirements. The pensions are normally based on final pensionable earnings and length of pensionable service. The pension benefits depend on individual circumstances but for long serving executive directors the scheme will normally provide a pension of two-thirds of pensionable earnings at age 60. Details are set out in each individual service contract.

Mr Rennocks joined the Company after 1 June 1989 and is consequently subject to the Inland Revenue earnings cap introduced by the Finance Act 1989. He, together with a limited number of other senior executives affected by the earnings cap, has been given a contractual right to pension benefits broadly equivalent to those of his colleagues to whom the cap does

not apply. The costs of these benefits are provided for in the Company's accounts but are not externally funded.

The pension benefits for the majority of employees in the British Steel Pension Scheme (1990) are based on gross earnings inclusive of bonus. For executive directors

and other senior executives, bonus for pension purposes has been subject to a maximum of 30% of basic salary. However, the Remuneration committee has previously concluded that variable earnings will not be pensionable for executive directors appointed on or after 1 September 1998. Additionally, with effect from 6 October 1999, bonuses of any nature will not be pensionable in respect of service after that date for all executive directors.

*Netherlands*

The executive directors covered by the Dutch pension arrangements are eligible for membership of the SPH scheme in common with other eligible employees. This scheme contains an early retirement pension from age 62 to 65, and a normal pension from age 65. Since the scheme limits pensionable earnings to £121,420, arrangements have been made to provide pension benefits in respect of that part of

*Pension benefits earned by directors – Netherlands*

	Director's age at period end	Increase in accrued early retirement pension (age 62 to 65) during period £ p.a.	Accumulated total accrued pension (age 62 to 65) at period end £ p.a.	Increase in accrued pension (from age 65) during the period £ p.a.	Accumulated total accrued pension (from age 65) at period end £ p.a.
F C W Briët	53	273	12,457	314	123,396
J F van Duyne	58	8,180	84,232	81,402	233,789
A van der Velden	60	6,951	90,482	53,119	179,959
H A M Vriens	56	384	68,875	303	135,394

## Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year based on service to the end of the current period.
- (ii) The details shown have been calculated as at 30 September 1999 and 31 December 2000 and exclude the amount and value of any additional voluntary contributions paid by the director. The increases in accrued pension during the period have been offset to take account of inflation on the accumulated total accrued pension.
- (iii) Pension contributions in respect of the executive directors are paid by the Company.
- (iv) Widow's pension is three-quarters of the director's pension at normal pension age (65).
- (v) Mr van der Velden retired on 1 September 2000 and Mr van Duyne retired on 5 December 2000. The figures reflect these facts.
- (vi) In accordance with the pension scheme rules, pensions are increased annually after retirement by reference to a Dutch general index of retail prices.
- (vii) No discretionary benefits are applicable in the calculation of transfer values on leaving service. Any transfer value would be calculated in accordance with Dutch legislation.

earnings exceeding this limit. These arrangements are defined benefit plans. Details are set out in each individual service contract.

### Executive share options

There are 504 participants currently included in the Executive share option schemes in addition to the executive directors. Options are normally granted annually and may be exercised after the elapse of three years and before the expiry of ten years from the date of grant.

Performance conditions apply to options granted under the scheme and normally options cannot be exercised unless those conditions have been met at the time of exercise. To meet the performance conditions under the scheme the Company's ranking, based on total shareholder return ('TSR') (calculated by reference to both dividends and growth in share price) over the relevant (three year) period, should be above the TSR achieved by the median company in the companies making up the comparator group. In addition, there should be a minimum return on capital employed over the relevant period at the rate of 4% per annum. Options are granted at the discretion of the Remuneration committee.

### Directors' interests

On 6 October 1999 each British Steel plc ordinary share was exchanged for one Corus Group plc ordinary share under the Scheme of Arrangement.

The beneficial interests of the directors and their families in the ordinary shares of the Company at the end of the financial period were as follows:

	Corus Group ordinary shares 30 Dec 2000	British Steel ordinary shares 2 Oct 1999
Sir Brian Moffat	250,764	244,649
H de Ruiter	-	-
F C W Briët	6,478 <sup>†</sup>	-
Sir Nicholas Goodison	36,001	36,000
R Hazelhoff	-	-
A A Loudon	-	-
A P Pedder	98,353	92,338
J L Rennocks	11,846	11,846
B K Sanderson	5,000	5,000
R T Turner	6,501	5,000
M C van Veen (i)	13,101	-
H A M Vrins	6,478 <sup>†</sup>	-

<sup>†</sup> Interests held in shares at the date of appointment, 5 December 2000; and at 30 December 2000.

#### Notes:

- (i) At the date of his appointment, 23 July 1999, Mr M C van Veen did not hold any interest in shares. He acquired 13,101 ordinary shares on 6 October 1999 under the terms of the merger by accepting the public offer with regard to 449 Koninklijke Hoogovens NV ordinary shares.
- (ii) Subsequent to the year end, on 1 February 2001, Mr D M Lloyd was appointed as a director. He held interests over 911 ordinary shares at that date.
- (iii) None of the directors held non-beneficial interests at any time during the period.
- (iv) There were no changes in directors' interests between the period end and 15 March 2001.

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 given in the tables overleaf.

		Outstanding at 2 Oct 1999		Exercise Period	
		Number	Weighted average exercise price	From	To
Sir Brian Moffat	Executive	610,900	158p	1997	2007
	Sharesave	14,265	121p	2000	2003
		625,165			
J M Bryant	Executive	730,100	163p	1997	2009
	Sharesave	15,265	113p	2000	2003
		745,365			
A P Pedder	Executive	577,880	152p	1996	2009
	Sharesave	14,265	121p	2000	2003
		592,145			
J L Rennocks	Executive	483,900	169p	1999	2009
	Sharesave	8,628	113p	2000	2001
		492,528			

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.

		Outstanding at 6 Oct 1999		Granted/ (exercised) during period	Outstanding at 30 Dec 2000		Exercise Period	
		Number	Weighted average exercise price	Number	Number	Weighted average exercise price	From	To
Sir Brian Moffat	Executive	780,303	124p	–	<b>780,303</b>	<b>124p</b>	1997	2007
	Sharesave	18,220	95p	(6,015) (v)	<b>12,205</b>	<b>93p</b>	2001	2003
		798,523			<b>792,508</b>			
F C W Briët	Executive	216,100†	120p	–	<b>216,100</b>	<b>120p</b>	2003	2010
	Sharesave	–	–	–	–	–		
		216,100†			<b>216,100</b>			
A P Pedder	Executive	738,126	119p	256,800 (iv)	<b>994,926</b>	<b>119p</b>	1996	2010
	Sharesave	18,220	95p	(6,015) (v)	<b>12,205</b>	<b>93p</b>	2001	2003
		756,346			<b>1,007,131</b>			
J L Rennocks	Executive	618,085	132p	236,900 (iv)	<b>854,985</b>	<b>129p</b>	1999	2010
	Sharesave	11,020	88p	–	<b>11,020</b>	<b>88p</b>	2000	2001
		629,105			<b>866,005</b>			
H A M Vrins	Executive	216,100†	120p	–	<b>216,100</b>	<b>120p</b>	2003	2010
	Sharesave	–	–	–	–	–		
		216,100†			<b>216,100</b>			

† At date of appointment.

- (i) Mr A van der Velden retired on 1 September 2000. He was granted options over 256,800 ordinary shares at 120p.
- (ii) Mr J M Bryant and Mr J F van Duyn were directors up to 5 December 2000. They were each granted 346,600 ordinary shares at 120p. These and all other options outstanding have now lapsed.
- (iii) Subsequent to the period end, on 1 February 2001, Mr D M Lloyd was appointed as a director. He held options over 180,824 ordinary shares under the Executive Scheme and 11,020 ordinary shares under the Sharesave Scheme at the date of his appointment.
- (iv) The options during the period stated above were granted under the Corus Executive Share Option Scheme at the average of the market price for the three days preceding the date of grant at 120p per share. No options were granted, exercised or lapsed other than those stated above.
- (v) On 3 April 2000 Sir Brian Moffat and Mr A P Pedder each exercised 6,015 shares at an exercise price of 99p under the Sharesave Scheme. The market price of the shares at that date was 100p. The aggregate gain recognised on the transaction was £240.
- (vi) The market price of the Company's shares at 30 December 2000 was 70p and the range during the 15 month period to that date was 47p to 174p.
- (vii) All options outstanding have been granted at exercise prices which exceed the market value as at the period end.

The Company's register of directors' interests contains full details of directors' shareholdings and options.

## Employees

The total number of employees worldwide of the Group as at 30 December 2000 was 64,900. There are well established and effective arrangements at each business location for communication and consultation with both employees' Works Councils and Trade Union representatives. The Company recognises its responsibilities towards disabled people and employs them where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the Company.

The Company continues to operate a UK Inland Revenue approved Sharesave scheme and, subject to shareholder approval at the next Annual General Meeting, intends to introduce an 'All Employee Share Ownership Plan' in the forthcoming year.

## Community involvement

The Company recognises its responsibilities to the communities in which it operates. During the period, charitable donations in the UK by the Company amounted to £619,192 (1999: £278,000; 1998/99: £498,000; 1997/98: £621,000). The Company also supports community projects through sponsorship, gifts of materials and secondments, and has maintained its support for the arts, environmental projects and educational activities.

No political donations were made.

## Suppliers

It is the policy of the Company and its UK subsidiaries to establish payment terms with suppliers when agreeing the terms of business transactions. The aim is to dispatch 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.

The Company had nil days' (2 Oct 1999: 65 days; 3 Apr 1999: 61 days) purchases outstanding at 30 December 2000, based on the average daily amount invoiced by suppliers during the period.

## Introduction of the euro

This is covered in detail in the Review of the period on page 16.

## Research and development

This is covered in detail in the Review of the period on pages 14 and 15.

## Share capital

Changes in the ordinary share capital during the period are given in Note 24 to the accounts on pages 60 to 62.

## Auditors

PricewaterhouseCoopers have signified their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next Annual General Meeting.

## Annual General Meeting

The Annual General Meeting will be held at Congress Centre, Great Russell Street, London WC1B 3LS on Friday 27 April 2001 at 11.00am. In addition to the routine business of the Annual General Meeting, the following business will be transacted:

## Corus Group All Employee Share Ownership Plan (Resolution 4)

The Company will be seeking authority by way of an ordinary resolution to establish an All Employee Share Ownership Plan as legislated for in the Finance Act 2000.

## Dividends (Resolution 5)

The Company will be seeking authority by way of an ordinary resolution to offer any holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid instead of cash in respect of the whole of any dividend declared or paid on or before 27 April 2006.

## Authority to purchase own shares (Resolution 6)

The Company will be seeking authority by way of a special resolution to renew its current permission from shareholders to purchase its own shares in the market. Such repurchases would only be made if the directors considered it to be in the best interests of the shareholders and would result in an increase in earnings per share.

## Tax status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

By order of the Board

Richard Reeves  
Secretary  
15 March 2001

# Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out in the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which 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 the financial period.

The directors consider that in preparing the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the reconciliation of net cash outflow to movement in net debt, the presentation of accounts and accounting policies and the related notes to the accounts which have been prepared on a going concern basis, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board

Richard Reeves  
Secretary  
15 March 2001

# Report of the auditors

## Independent auditors' report to the members of Corus Group plc

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the reconciliation of net cash outflow to movement in net debt, the presentation of accounts and accounting policies and the related notes to the accounts.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules 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. The other information comprise only the chairman and chief executive's statement, the review of the period, the financial review, the board, the executive committee and the directors' report.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom Auditing Practices Board and with Auditing Standards generally accepted in the United States. 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 and the Group'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.

## UK Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 December 2000 and of the loss and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

## US Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 30 December 2000, 2 October 1999 and 3 April 1999 and the results of its operations, and its cash flows for each of the periods ended 30 December 2000, 2 October 1999, 3 April 1999 and 28 March 1998, in conformity with accounting principles generally accepted in the United Kingdom. These principles differ in certain respects from accounting principles generally accepted in the United States. The effect of the differences in the determination of the loss for the financial period, shareholders' equity and cash flows is shown in the supplementary information for North American investors.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London, England  
15 March 2001

# Consolidated profit and loss account

For the financial period ended 30 December 2000	Note	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
<b>Turnover: group and share of joint ventures</b>		<b>12,153</b>	9,851	2,302	2,790	6,455	7,166
Less: share of joint ventures' turnover	1	(455)	(342)	(113)	(81)	(196)	(219)
<b>Group turnover:</b>							
Continuing operations		<b>7,593</b>	6,236	1,357	2,709	6,259	6,947
Acquisitions		<b>4,105</b>	3,273	832	–	–	–
	1	<b>11,698</b>	9,509	2,189	2,709	6,259	6,947
Operating costs before exceptional items		<b>(11,817)</b>	(9,521)	(2,296)	(2,886)	(6,348)	(6,639)
Rationalisation and impairment exceptional items charged against operating costs	3	<b>(1,033)</b>	(1,018)	(15)	(12)	(85)	(43)
<b>Total operating costs</b>	2	<b>(12,850)</b>	(10,539)	(2,311)	(2,898)	(6,433)	(6,682)
<b>Group operating (loss)/profit</b>							
Continuing operations		<b>(1,316)</b>	(1,205)	(111)	(189)	(174)	265
Acquisitions		<b>164</b>	175	(11)	–	–	–
	1	<b>(1,152)</b>	(1,030)	(122)	(189)	(174)	265
Share of operating results of joint ventures and associated undertakings:							
Continuing operations		<b>6</b>	6	–	–	(3)	–
Acquisitions		<b>(6)</b>	(4)	(2)	–	–	–
	5	<b>–</b>	2	(2)	–	(3)	–
<b>Total operating (loss)/profit</b>		<b>(1,152)</b>	(1,028)	(124)	(189)	(177)	265
Profit on sale of fixed assets		<b>5</b>	2	3	9	7	6
Profit on disposal of businesses, subsidiaries and associated undertakings		<b>–</b>	–	–	1	1	5
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(1,147)</b>	(1,026)	(121)	(179)	(169)	276
Net interest and investment income:							
Group	6	<b>(118)</b>	(100)	(18)	14	30	41
Joint ventures and associated undertakings	5	<b>(6)</b>	(6)	–	(2)	(3)	(2)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,271)</b>	(1,132)	(139)	(167)	(142)	315
Taxation	7	<b>(8)</b>	(27)	19	8	19	(82)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(1,279)</b>	(1,159)	(120)	(159)	(123)	233
Minority interests		<b>(70)</b>	(65)	(5)	(4)	42	(7)
<b>(Loss)/profit for financial period</b>		<b>(1,349)</b>	(1,224)	(125)	(163)	(81)	226
Dividends	9	<b>(31)</b>	(31)	–	–	(201)	(195)
<b>(Loss)/profit retained for the period</b>	25	<b>(1,380)</b>	(1,255)	(125)	(163)	(282)	31
<b>Basic (loss)/earnings per ordinary share</b>	10	<b>(43.38)p</b>	(39.32)p	(4.06)p	(8.22)p	(4.09)p	11.44p
<b>Diluted (loss)/earnings per ordinary share</b>	10	<b>(43.38)p</b>	(39.32)p	(4.06)p	(8.22)p	(4.09)p	11.25p

There were no material discontinued activities in the period.

Notes and related statements forming part of these accounts appear on pages 40 to 73; Note 25 sets out the movements on reserves.

# Balance sheets

At 30 December 2000	Note	The Company		The Group	
		30 Dec 2000 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
<b>Fixed assets</b>					
Intangible assets	11	–	102	10	–
Tangible assets	12	–	3,763	3,116	3,240
Investments in subsidiary undertakings	13	3,159	–	–	–
Investments in joint ventures:					
Share of gross assets		–	370	184	208
Share of gross liabilities		–	(228)	(111)	(113)
	13	–	142	73	95
Investments in associated undertakings	13	–	11	6	9
Other investments and loans	13	–	75	139	136
		3,159	4,093	3,344	3,480
<b>Current assets</b>					
Stocks	14	–	1,719	1,061	1,007
Debtors	15	–	2,158	1,301	1,315
Short term investments	16	–	42	1,132	1,206
Cash at bank and in hand	16	–	231	141	163
		–	4,150	3,635	3,691
<b>Creditors: amounts falling due within one year</b>	17	(5)	(1,834)	(1,177)	(1,359)
<b>Net current (liabilities)/assets</b>		(5)	2,316	2,458	2,332
<b>Total assets less current liabilities</b>		3,154	6,409	5,802	5,812
<b>Creditors: amounts falling due after more than one year</b>	18	(433)	(1,837)	(1,063)	(852)
<b>Provisions for liabilities and charges</b>	23	–	(673)	(210)	(253)
<b>Accruals and deferred income</b>					
Regional development and other grants		–	(57)	(46)	(50)
		2,721	3,842	4,483	4,657
<b>Capital and reserves</b>					
Called up share capital	24	1,561	1,561	991	991
Share premium account	25	5	5	–	–
Statutory reserve	25	–	2,338	2,338	2,338
Other reserves	25	796	201	99	98
Profit and loss account	25	359	(665)	746	919
Shareholders' funds – equity interests	25	2,721	3,440	4,174	4,346
<b>Minority interests</b>					
Equity interests in subsidiary undertakings		–	402	309	311
		2,721	3,842	4,483	4,657

Sir Brian Moffat  
D M Lloyd  
15 March 2001

Notes and related statements forming part of these accounts appear on pages 40 to 73.

# Statement of total recognised gains and losses

For the financial period ended 30 December 2000	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
(Loss)/profit for financial period	<b>(1,349)</b>	(1,224)	(125)	(163)	(81)	226
Exchange translation differences on foreign currency net investments:						
Group	<b>(26)</b>	17	(43)	(11)	8	(28)
Joint ventures	<b>(5)</b>	(4)	(1)	1	(2)	(1)
Total recognised (losses)/gains relating to the period	<b>(1,380)</b>	(1,211)	(169)	(173)	(75)	197

# Reconciliation of movements in shareholders' funds

At 30 December 2000	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Loss for financial period	<b>(1,349)</b>	(163)	(81)
Dividends	<b>(31)</b>	–	(201)
	<b>(1,380)</b>	(163)	(282)
Exchange translation differences on foreign currency net investments	<b>(31)</b>	(10)	6
New shares issued	<b>1,371</b>	1	–
Cash and loan notes to shareholders under Scheme of Arrangement	<b>(694)</b>	–	–
Net decrease in shareholders' funds	<b>(734)</b>	(172)	(276)
Shareholders' funds at beginning of period	<b>4,174</b>	4,346	4,622
Shareholders' funds at end of period	<b>3,440</b>	4,174	4,346

Notes and related statements forming part of these accounts appear on pages 40 to 73.

# Consolidated cash flow statement

For the financial period ended 30 December 2000	Note	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
<b>Net cash inflow/(outflow) from operating activities</b>	30	<b>100</b>	316	(216)	(100)	437	512
<b>Dividends from joint ventures and associated undertakings</b>		<b>6</b>	5	1	12	12	6
<b>Returns on investments and servicing of finance</b>	31	<b>(112)</b>	(117)	5	15	27	36
<b>Tax received/(paid)</b>	31	<b>43</b>	42	1	(16)	(60)	(183)
<b>Capital expenditure and financial investment</b>	31	<b>(291)</b>	(216)	(75)	(58)	(179)	(366)
<b>Acquisitions and disposals</b>	31	<b>(259)</b>	(101)	(158)	(27)	(6)	(25)
<b>Equity dividends paid</b>		<b>(31)</b>	(31)	–	(138)	(201)	(201)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(544)</b>	(102)	(442)	(312)	30	(221)
<b>Management of liquid resources</b>							
Net sale/(purchase) of short term investments		<b>1,091</b>	67	1,024	69	(159)	311
<b>Financing</b>							
Purchase of own shares	31	–	–	–	–	–	(146)
Cash to shareholders	31	<b>(689)</b>	(3)	(686)	–	–	–
Issue of ordinary shares	31	<b>11</b>	11	–	1	3	16
Share issue expenses	31	<b>(6)</b>	–	(6)	–	–	–
Increase in debt	31	<b>215</b>	176	39	225	131	88
<b>Net cash (outflow)/inflow from financing activities</b>	31	<b>(469)</b>	184	(653)	226	134	(42)
<b>Increase/(decrease) in cash in period</b>		<b>78</b>	149	(71)	(17)	5	48

## Reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds

For the financial period ended 30 December 2000	Note	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
Increase/(decrease) in cash	32	<b>78</b>	149	(71)	(17)	5	48
(Decrease)/increase in liquid resources	32	<b>(1,091)</b>	(67)	(1,024)	(69)	159	(311)
Increase in debt	32	<b>(215)</b>	(176)	(39)	(225)	(131)	(88)
<b>Change in net funds resulting from cash flows in period</b>	32	<b>(1,228)</b>	(94)	(1,134)	(311)	33	(351)
Debt (acquired)/disposed of	32	<b>(621)</b>	(20)	(601)	3	–	(1)
Other non cash items	32	–	–	–	–	–	(3)
Effect of foreign exchange rate changes	32	<b>12</b>	(4)	16	6	(16)	16
<b>Movement in net funds in period</b>		<b>(1,837)</b>	(118)	(1,719)	(302)	17	(339)
Net funds/(debt) at beginning of period	32	<b>161</b>	(1,558)	161	463	446	785
<b>Net (debt)/funds at end of period</b>	32	<b>(1,676)</b>	(1,676)	(1,558)	161	463	446

Notes and related statements forming part of these accounts appear on pages 40 to 73.

# Presentation of accounts and accounting policies

## I Description of business

Corus was formed in Oct 1999 by the merger of British Steel and Koninklijke Hoogovens. Corus produced 20 million tonnes of crude steel in 2000 and, in 1999, was the seventh largest steel producer in the world. Its European steelworks accounted for 12% of the EU's steel production in 2000. The majority of Corus steel is rolled in its own mills although it supplies semi-finished steel products to other steelmakers for rolling into finished products. The aluminium businesses of Corus manufacture and supply primary products, rolled products and extrusions. Corus is the fifth largest producer of rolled and extruded aluminium products in the world. The EU (including the UK) is the most important market for Corus, accounting for 80% (by value) of total deliveries in 2000, with North America accounting for 14% and other areas 6%.

## II Basis of consolidation

The accounts have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards in the UK. They comprise a consolidation of the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and net assets of its joint ventures and associated undertakings.

Until Mar 1998, the surplus or deficit of the fair value of the purchase consideration of subsidiary undertakings, joint ventures and associated undertakings over the fair value of the attributable net assets at the date of acquisition ('goodwill') was written off/credited immediately to reserves.

Commencing with the financial year ending 3 Apr 1999, positive goodwill is capitalised and amortised over its estimated useful economic life to a maximum of 20 years, and negative goodwill is recognised in the profit and loss account in line with the periods in which the assets acquired are depreciated. Positive or negative goodwill that was written off or credited immediately to reserves until Mar 1998 has not been reinstated. On disposal of a business any attributable goodwill previously written off immediately to reserves will be transferred from reserves to the profit and loss account in arriving at the profit or loss on disposal.

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated profit and loss account, balance sheet and cash flow statement include the Company and its subsidiaries, together with the Group's share of the profits and retained post acquisition reserves of joint ventures and associates, which have been accounted for under the gross equity and equity methods of consolidation respectively. Except as noted below the profits or losses of subsidiaries, joint ventures and associates acquired or sold during the year are included as from or up to their respective date of acquisition or disposal.

The Company was incorporated on 16 Jul 1999 as BSKH plc and changed its name to Corus Group plc on 28 Sep 1999. Up to 5 Oct 1999, the Company's assets and paid up capital amounted to £2 and it did not trade or declare or pay any dividends or make any other distributions. Effective from 6 Oct 1999, the Company acquired 100% of the issued share capital of Corus UK Limited (formerly British Steel plc) following implementation of a Scheme of Arrangement under section 425 of the Companies Act 1985.

The Scheme of Arrangement involved the cancellation of the issued share capital of Corus UK Limited amounting to £991,300,306; the issuance of £991,300,306 of share capital of Corus UK Limited to the Company; and for each share cancelled the issuance of the following consideration by the Company to the shareholders of Corus UK Limited:

- one 50p ordinary share in the Company; and either
- 35p in cash or 35p in nominal amount of Corus unsecured floating rate loan notes 2006.

The Scheme of Arrangement has been accounted for in accordance with the principles of merger accounting, although it does not satisfy all the conditions required (see below). The consolidated accounts are presented as if the Scheme of Arrangement had been effective on 29 Mar 1997 except for the effect of the return of cash to shareholders and the issue of the unsecured loan notes which took place on 20 Oct 1999. The consolidated profit and loss account combines the results of the former British Steel Group for the 15 month period ended 30 Dec 2000 with those of the Company for the period since its incorporation to 30 Dec 2000. The comparative figures relate to the former British Steel Group as restated for the effect of the Scheme of Arrangement.

Schedule 4A to the Companies Act 1985 and FRS 6 'Acquisition and Mergers' require acquisition accounting to be adopted where all the conditions laid down for merger accounting are not satisfied. The Scheme of Arrangement does not satisfy the condition that the fair value of the non-share element of the consideration given by the Company for the shares in Corus UK Limited should not exceed 10% of the nominal value of the share element of the consideration.

However, in the opinion of the directors, the Scheme of Arrangement is a Group reconstruction rather than an acquisition, since the shareholders of the Company are the same as the former shareholders in Corus UK Limited and the rights of each shareholder, relative to the others, are unchanged and no minority interest in the net assets of the Group is altered. Hence the shareholders have a continuing interest in the businesses of Corus UK Limited, both before and after the Scheme of Arrangement. Consequently, the directors consider that to record the Scheme of Arrangement as an acquisition by the Company, to attribute fair values to the assets and liabilities of the Group and to reflect only the post-Scheme of Arrangement results within these accounts would fail to give a true and fair view of the Group's results and financial position.

Accordingly, having regard to the overriding requirement under section 227(6) of the Companies Act 1985 for the accounts to give a true and fair view of the Group's results and financial position, the directors have adopted merger accounting principles in drawing up these accounts. The directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 1985 requirements.

### **III Turnover**

Sales to export customers other than those to member and associate member countries of the European Coal and Steel Community are recorded at the f.o.b. price of products sold and services rendered. All other sales represent the invoice prices (which include delivery charges) of products sold and services rendered. Sales exclude VAT and similar taxes, and are recognised when the rights and benefits of ownership have passed to the customer.

### **IV Rationalisation and related measures**

The revenue costs of rationalisation and related measures are provided for in respect of decisions taken where a constructive obligation has arisen prior to the balance sheet date and are included under operating costs.

### **V Research and development**

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

### **VI 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 accounts.

### **VII Foreign currencies**

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. Profit and loss account items in foreign currencies are translated into sterling at the average rates ruling during the financial year.

Exchange differences arising from the retranslation of the opening net investment in foreign enterprises and the retranslation of profit and loss account items from average rate to closing rate are recorded as movements on reserves.

Exchange gains or losses on foreign currency borrowings and forward exchange contracts used to finance an equity investment in a foreign enterprise are offset against the exchange difference arising on the retranslation of the net investment.

Exchange gains and losses on forward exchange contracts used to manage exposure to fluctuations in foreign currency with respect to transactions, together with all other exchange gains and losses on settlement are included in arriving at the result for the year.

### **VIII Derivative financial instruments**

The Group uses a variety of derivative financial instruments, including forward foreign exchange contracts and commodity futures contracts as part of an overall risk management strategy. These instruments are used as a means of hedging exposure to price and foreign currency risk connected to contracted sales and purchases or existing assets and liabilities. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group uses forward contracts or currency options, where appropriate, to hedge the cash flow risk of contracted sales and purchase transactions. Net sales and purchases covered by these contracts or options are translated into sterling at contract rates. No account is taken of the potential but unrealised profits or losses on open forward exchange contracts or options which are intended as a hedge against future contracted transactions; such profits and losses are accounted for so as to match the exchange differences arising on the underlying contracted currency transactions.

The Group uses commodity futures contracts to hedge the price risk of certain purchases. The futures contract is marked to market at the balance sheet date with the gain or loss deferred until settlement date, at which time the gain or loss is taken to the profit and loss account and offset against the related purchase.

Deferral (hedge) accounting is applied only if the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. Additionally, the derivative must result in payoffs that are expected to be inversely correlated to those of the hedged item. The correlation of hedge designation is high and must exist both at inception and throughout the hedge period.

If a derivative instrument ceases to meet the criteria for deferral or settlement accounting, any subsequent gains or losses are recognised at that time in the profit and loss account. If a transaction does not occur, the hedge is terminated, and any gains or losses are recognised in the profit and loss account. If a hedging instrument is sold or terminated prior to maturity, gains and losses continue to be deferred until the hedged item is recognised in the profit and loss account.

### **IX Stocks**

Stocks of raw materials are valued at cost or, if they are to be realised without processing, the lower of cost and net realisable value. Cost is determined using the 'first in first out' method. 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 obsolescent items.

### **X Tangible fixed assets**

Tangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the Group, related works and incremental overhead amounts are included in cost.

Commissioning costs and interest attributable to expenditure on assets in course of construction are written off to revenue as incurred. Tangible fixed assets financed by leasing arrangements that approximate to the loan of money and in which the Group enjoys substantially all the risks and rewards of ownership (finance leases) are treated as if they have been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance cost; the capital element reducing the obligation to the lessor and the finance cost being written off

to the profit and loss account over the period of the lease. Operating lease costs are charged to the profit and loss account 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; and also spares, against which provisions are made where necessary to cover slow moving and obsolescent items.

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

#### **XI Depreciation of tangible and intangible fixed assets**

Depreciation is provided so as to write off, on a straight line basis, the cost 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 or if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. 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:

Freehold and long leasehold buildings which house plant, and other works buildings	25 years
Other freehold and long leasehold buildings	50 years
Plant and machinery:	
Iron and steel making	maximum 25 years
Other	maximum 15 years
Computers	maximum 8 years
Office equipment and furniture	10 years
Motor vehicles	4 years
Goodwill	maximum 20 years
Patents and trademarks	4 years

Tangible fixed assets and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit, or disposal value if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant unit. As set out in the 'Review of the period' and Note 3 an impairment charge in the form of accelerated depreciation has been recognised in the period. Where applicable, a pre-tax discount rate of 12% has been used to calculate value in use.

#### **XII Fixed asset investments**

In the Group's balance sheet, shares in joint ventures and associated undertakings are stated at the Group's share of net assets. Loans and other investments are stated at cost. Provisions are made if events or circumstances indicate that the carrying amount may not be recoverable.

In the Company's own balance sheet, investments are stated at cost except for the investment in Corus UK Limited. This investment, as permitted by section 133 of the Companies Act 1985, is recorded as the aggregate of the nominal value of shares issued to acquire the investment and fair value of other consideration given. Provisions are made if events or circumstances indicate that the carrying amount may not be recoverable.

Income from fixed asset investments comprises dividends declared up to the balance sheet date and, where relevant, is shown before deduction of overseas withholding taxes.

#### **XIII Pensions**

The regular 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. Variations from regular cost arising from periodic actuarial valuations of the principal schemes are allocated to profit and loss account so as to spread the surplus/deficit over the expected average remaining service lives of employees.

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

#### **XIV 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 received less the amounts credited to the profit and loss account at the balance sheet date are included in the balance sheet as deferred income.

#### **XV Insurance**

Certain of the Group's insurances are handled by its two captive insurance companies, Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij N.V. With the exception of marine cargo and certain employer's liability, all insurance business is accounted for on an annual basis and is dealt with as part of the operating costs in these accounts. In the case of marine cargo and certain employer's liability business, the results of each underwriting year are determined at the end of the third year at which time any profits or losses arising are recognised; in the interim, the level of insurance provisions is kept under review and, where appropriate, adjustments are made. Insurance premiums in respect of insurance placed with third parties are charged to the profit and loss account in the period to which they relate.

# Notes to the accounts

## 1. Analysis of turnover, results, tangible fixed assets and net assets

The directors consider that the new Group (following the acquisition of Koninklijke Hoogovens) has three classes of business under UK GAAP and three reportable segments under US GAAP.

Turnover by location of Group entity is set out below:

	Joint venture turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
United Kingdom turnover	55	42	13	13	51	49
Other European turnover	305	232	73	44	111	125
North America turnover	95	68	27	24	34	27
Other areas	–	–	–	–	–	18
<b>Total turnover</b>	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>	<b>219</b>

	Group turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
United Kingdom gross turnover	5,444	4,439	1,005	2,017	4,709	5,527
Less: inter-segment turnover	(825)	(686)	(139)	(275)	(589)	(891)
	<b>4,619</b>	<b>3,753</b>	<b>866</b>	<b>1,742</b>	<b>4,120</b>	<b>4,636</b>
Other European gross turnover	5,825	4,728	1,097	645	1,485	1,868
Less: inter-segment turnover	(366)	(296)	(70)	(56)	(111)	(356)
	<b>5,459</b>	<b>4,432</b>	<b>1,027</b>	<b>589</b>	<b>1,374</b>	<b>1,512</b>
North America gross turnover	1,315	1,060	255	292	616	615
Less: inter-segment turnover	(71)	(55)	(16)	–	(2)	(1)
	<b>1,244</b>	<b>1,005</b>	<b>239</b>	<b>292</b>	<b>614</b>	<b>614</b>
Other areas	376	319	57	86	151	185
<b>Total turnover</b>	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>	<b>6,947</b>

Of the above the following relates to acquisitions:

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m
United Kingdom gross turnover	103	80	23
Less: inter-segment turnover	(4)	(3)	(1)
	<b>99</b>	<b>77</b>	<b>22</b>
Other European gross turnover	3,632	2,908	724
Less: inter-segment turnover	(170)	(138)	(32)
	<b>3,462</b>	<b>2,770</b>	<b>692</b>
North America gross turnover	525	408	117
Less: inter-segment turnover	(70)	(54)	(16)
	<b>455</b>	<b>354</b>	<b>101</b>
Other areas	89	72	17
<b>Total turnover</b>	<b>4,105</b>	<b>3,273</b>	<b>832</b>

**1. Analysis of turnover, results, tangible fixed assets and net assets** continued

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

	Joint venture turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
United Kingdom	48	35	13	12	51	46
European Union (excluding UK)	133	109	24	17	42	54
Europe (excluding EU)	179	130	49	28	69	74
North America	95	68	27	24	34	27
Asia	-	-	-	-	-	18
	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>	<b>219</b>

	Group turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
United Kingdom	3,274	2,635	639	1,119	2,663	3,010
European Union (excluding UK)	5,477	4,469	1,008	967	2,237	2,353
Europe (excluding EU)	541	455	86	118	295	334
North America	1,647	1,328	319	327	657	654
South America	79	65	14	17	35	45
Africa	103	75	28	17	53	53
Asia	512	434	78	126	282	439
Australasia	65	48	17	18	37	59
	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>	<b>6,947</b>
Included above:						
Exports from the United Kingdom	2,338	1,929	409	855	1,985	2,495
Sales to joint ventures and associated undertakings	187	149	38	63	121	185

Of the above the following relates to acquisitions:

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m
United Kingdom	369	282	87
European Union (excluding UK)	2,551	2,038	513
Europe (excluding EU)	246	206	40
North America	773	620	153
South America	25	18	7
Africa	39	29	10
Asia	81	67	14
Australasia	21	13	8
	<b>4,105</b>	<b>3,273</b>	<b>832</b>

## 1. Analysis of turnover, results, tangible fixed assets and net assets continued

Business segment analysis of turnover is set out below:

	Joint venture turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Carbon steel	390	292	98	66	158	172
Stainless steel	65	50	15	15	38	47
<b>Total</b>	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>	<b>219</b>

	Group turnover					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Carbon steel	8,725	7,016	1,709	2,176	5,043	5,472
Stainless steel	1,746	1,467	279	533	1,216	1,475
Aluminium	1,227	1,026	201	–	–	–
<b>Total</b>	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>	<b>6,947</b>

Of the above the following relates to acquisitions:

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m
Carbon steel	2,878	2,247	631
Aluminium	1,227	1,026	201
<b>Total</b>	<b>4,105</b>	<b>3,273</b>	<b>832</b>

Business segment analysis of operating result is set out below:

	Group operating (loss)/profit					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Carbon steel	(1,411)	(1,262)	(149)	(199)	(86)	251
Stainless steel	150	138	12	10	(88)	14
Aluminium	109	94	15	–	–	–
<b>Group operating (loss)/profit</b>	<b>(1,152)</b>	<b>(1,030)</b>	<b>(122)</b>	<b>(189)</b>	<b>(174)</b>	<b>265</b>

Of the above, for the 15 month period acquisitions contributed all of the aluminium segment result and a profit of £55m to the carbon steel segment result. The directors consider that all reconciling items between the operating (loss)/profit and (loss)/profit before tax are managed centrally for the Group as a whole and so are not directly attributable to individual business segments.

Geographical market analysis of operating result by location of Group entity is set out below:

	Group operating (loss)/profit					
	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
United Kingdom	(1,283)	(1,163)	(120)	(192)	(105)	228
Other European	257	262	(5)	10	(15)	82
North America	(135)	(137)	2	(7)	(53)	(46)
Other areas	9	8	1	–	(1)	1
<b>Group operating (loss)/profit</b>	<b>(1,152)</b>	<b>(1,030)</b>	<b>(122)</b>	<b>(189)</b>	<b>(174)</b>	<b>265</b>

Of the above, for the 15 month period, acquisitions contributed a loss of £5m to the United Kingdom segment result, a profit of £151m to the Other European segment result and a profit of £18m to the North American segment result.

**1. Analysis of turnover, results, tangible fixed assets and net assets** continued

Tangible fixed assets and net assets by location of Group entity are set out below:

	Tangible fixed assets			Net assets		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Company and subsidiary undertakings:						
United Kingdom	<b>1,701</b>	2,502	2,607	<b>2,286</b>	3,259	3,121
Other European	<b>1,632</b>	386	388	<b>2,541</b>	572	539
North America	<b>340</b>	225	241	<b>310</b>	257	293
Other areas	<b>90</b>	3	4	<b>51</b>	6	–
Other net (liabilities)/assets	–	–	–	<b>(1,499)</b>	310	600
	<b>3,763</b>	3,116	3,240	<b>3,689</b>	4,404	4,553
Joint ventures and associated undertakings:						
United Kingdom				<b>18</b>	23	34
Other European				<b>77</b>	23	29
North America				<b>56</b>	33	38
Other areas				<b>2</b>	–	3
				<b>153</b>	79	104
				<b>3,842</b>	4,483	4,657

Other net (liabilities)/assets are mainly cash and investments net of loans and finance lease obligations.

The principal effect of acquisitions in the 15 month period to 30 Dec 2000 was to increase net assets in the Other European segment by £1,806m, in the North American segment by £207m and other net liabilities by £686m.

Tangible fixed assets and net assets by business segment are set out below:

	Tangible fixed assets			Net assets		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Carbon steel	<b>2,971</b>	2,716	2,827	<b>2,777</b>	3,896	4,066
Stainless steel	<b>414</b>	400	413	<b>689</b>	587	591
Aluminium	<b>378</b>	–	–	<b>376</b>	–	–
	<b>3,763</b>	3,116	3,240	<b>3,842</b>	4,483	4,657

The principal effect of acquisitions in the 15 month period to 30 Dec 2000 was to increase net assets in the carbon steel segment by £1,200m and the aluminium segment by £376m.

## 2. Operating costs

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Costs by type:						
Raw materials and consumables	5,153	4,270	883	1,236	2,667	3,019
Maintenance costs (excluding own labour)	1,060	832	228	258	530	578
Other external charges (including fuels and utilities, hire charges and carriage costs)	1,795	1,453	342	483	1,022	1,044
Employment costs (Note 4)	2,606	2,135	471	612	1,352	1,348
Depreciation (and other amounts written off intangible fixed assets)	1,174	1,057	117	150	313	306
Regional development and other grants released	(17)	(14)	(3)	(4)	(9)	(11)
Other operating costs	1,004	849	155	213	376	434
Changes in stock of finished goods and work in progress	110	(15)	125	(48)	190	(26)
Own work capitalised	(35)	(28)	(7)	(2)	(8)	(10)
	<b>12,850</b>	<b>10,539</b>	<b>2,311</b>	<b>2,898</b>	<b>6,433</b>	<b>6,682</b>
Costs by function:						
Costs of goods sold	10,813	8,712	2,101	2,642	5,884	6,140
Selling, general and administrative expenses	1,004	809	195	244	464	499
Exceptional items (Note 3)	1,033	1,018	15	12	85	43
	<b>12,850</b>	<b>10,539</b>	<b>2,311</b>	<b>2,898</b>	<b>6,433</b>	<b>6,682</b>
The above costs are stated after including:						
Purchases from joint ventures and associated undertakings	13	12	1	22	50	58
Amortisation of intangible fixed assets	8	7	1	-	-	-
Depreciation of owned assets (including accelerated depreciation)	1,160	1,046	114	146	305	298
Depreciation of assets held under finance leases	6	4	2	4	8	8
Operating leases:						
Plant and machinery	61	54	7	18	36	34
Leasehold property	49	40	9	11	24	22
Costs of research and development (gross)	113	93	20	22	49	52
Recoveries on research and development	(7)	(6)	(1)	(2)	(5)	(4)
Provision for doubtful debts	19	7	12	2	6	-
Realised gains on investments held to fund insurance liabilities	-	-	-	-	(32)	-
Reduction in underwriting provisions in Crucible Insurance Company Limited	-	-	-	-	(16)	-
Release of provision for landfill tax	-	-	-	-	(2)	-
Repayment of hydrocarbon oil duty	-	-	-	(27)	-	-
Reduction in EC fine provided in 1993/94	-	-	-	(8)	-	-
Accrual for EC fine (Note 28)	-	-	-	8	-	-
Costs incurred in rendering existing software						
Year 2000 compliant	3	1	2	10	30	10
Pension refund at Avesta Sheffield AB	(26)	(26)	-	-	-	-

The above costs in the 15 months to 30 Dec 2000 include:

	Continuing operations £m	Acquisitions £m	Exceptional items £m	Total £m
Raw materials and consumables	3,521	1,632	-	5,153
Maintenance costs (excluding own labour)	670	390	-	1,060
Other external charges	1,294	501	-	1,795
Employment costs (Note 4)	1,562	842	202	2,606
Depreciation (and other amounts written off intangible fixed assets)	376	208	590	1,174
Regional development and other grants released	(9)	(8)	-	(17)
Other operating costs	527	236	241	1,004
Changes in stock of finished goods and work in progress	(45)	155	-	110
Own work capitalised	(7)	(28)	-	(35)
	<b>7,889</b>	<b>3,928</b>	<b>1,033</b>	<b>12,850</b>

£13m of the exceptional items relate to acquisitions (£8m employment costs, £3m depreciation and £2m other operating costs).

**2. Operating costs** continued**Remuneration of Group's auditors**

	15 months to 30 Dec 2000 £000	6 months to 2 Oct 1999 £000	12 months to 3 Apr 1999 £000	12 months to 28 Mar 1998 £000
In respect of the audit:				
Corus Group plc	15	–	–	–
Subsidiary undertakings				
Corus UK Limited	928	623	961	973
Other subsidiary undertakings: Group auditors	3,074	443	1,852	1,776
Other subsidiary undertakings: non-Group auditors	2,672	–	–	–
	<b>6,689</b>	1,066	2,813	2,749
Amounts paid to Group auditors in respect of other work:				
UK	3,578	2,271	1,271	753
Overseas	2,965	1,175	732	468
	<b>6,543</b>	3,446	2,003	1,221
<b>Total</b>	<b>13,232</b>	4,512	4,816	3,970

Included in audit fees of other subsidiary undertakings are amounts in respect of the audit of certain subsidiaries which were required to make up their statutory accounts on 31 Dec 1999 and 31 Mar 2000 as part of the process of change in year end reporting period to 31 Dec 2000.

**3. Rationalisation and impairment exceptional items**

	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
Provision for rationalisation and related measures:						
Redundancy and related costs	202	194	8	11	64	18
Accelerated depreciation	590	585	5	–	15	21
Other asset write downs	111	111	–	–	–	–
Other rationalisation costs	130	128	2	1	6	4
	<b>1,033</b>	1,018	15	12	85	43

These items are discussed in detail in the 'Review of the period' on page 5.

**4. Employees**

	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
The total employment costs of all employees (including directors) in the Group were:						
Wages and salaries	2,007	1,618	389	522	1,104	1,143
Social security costs	269	217	52	60	128	127
Other pension costs (Note 33)	128	106	22	19	56	60
Redundancy and related costs (Note 3)	202	194	8	11	64	18
	<b>2,606</b>	2,135	471	612	1,352	1,348

The average weekly number of employees by business segment on the Group's payroll during the period were as follows:

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
Carbon steel	52,600	52,600	52,600	37,200	39,400	42,300
Stainless steel	6,400	6,400	6,400	6,500	7,100	7,700
Aluminium	5,700	5,700	5,600	–	–	–
	<b>64,700</b>	64,700	64,600	43,700	46,500	50,000

## 5. Share of results of joint ventures and associated undertakings

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Share of operating results:						
Joint ventures	(2)	–	(2)	(1)	(4)	–
Associated undertakings	2	2	–	1	1	–
	–	2	(2)	–	(3)	–
Net interest:						
Interest receivable: Joint ventures	1	1	–	–	1	2
Interest payable: Joint ventures	(7)	(7)	–	(2)	(4)	(4)
Share of results	(6)	(4)	(2)	(2)	(6)	(2)
Taxation (Note 7)	(2)	(2)	–	(1)	(4)	(5)
Share of results after taxation	(8)	(6)	(2)	(3)	(10)	(7)
Receivable in dividends:						
The Company	–	–	–	–	–	–
Subsidiary undertakings	(8)	(7)	(1)	(11)	(8)	(6)
Retained	(16)	(13)	(3)	(14)	(18)	(13)

## 6. Net interest and investment income

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Dividends from other fixed asset investments	1	1	–	–	4	2
Interest receivable	39	29	10	46	92	91
	40	30	10	46	96	93
Less: Interest payable:						
Bank loans and overdrafts	28	24	4	9	32	30
Other interest payable	126	103	23	21	30	18
	154	127	27	30	62	48
Finance leases	4	3	1	2	4	4
	158	130	28	32	66	52
Net interest and investment income	(118)	(100)	(18)	14	30	41

Interest receivable in the 6 months to 2 Oct 1999 includes an exceptional credit of £15m relating to the repayment of hydrocarbon oil duty.

Returns on investments held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij NV (Note 13(i)), including dividends and realised gains and losses amounting to £11m (6 months to 2 Oct 1999: loss of £2m; 12 months to 3 Apr 1999: profit of £48m; 12 months to 28 Mar 1998: profit of £8m) have not been included above as the income has been taken into account in the assessment of the underwriting results and liabilities of those companies, being in respect of Group insurance costs and arrangements.

Net interest and investment income relating to acquisitions in the 15 month period was a charge of £32m.

## 7. Taxation

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Taxation based on (loss)/profit on ordinary activities for the period:						
The Group:						
UK corporation tax at 30% (prior periods 31%)	6	6	–	1	3	89
Double tax relief	(5)	(5)	–	(1)	(14)	(7)
Prior year credit	(27)	(27)	–	–	(6)	(4)
ACT written off	–	–	–	–	3	–
Overseas taxes	31	50	(19)	4	6	12
	5	24	(19)	4	(8)	90
UK deferred tax	–	–	–	(13)	(15)	(5)
Overseas deferred tax	1	1	–	–	–	(8)
	6	25	(19)	(9)	(23)	77
Joint ventures	1	1	–	1	4	4
Associated undertakings	1	1	–	–	–	1
	8	27	(19)	(8)	(19)	82
The tax (credit)/charge reconciles with the standard rate of UK corporation tax as follows:						
Tax on result before tax at standard rate 30% (prior periods 31%)	(381)	(339)	(42)	(50)	(44)	98
Temporary differences between taxable and accounting profit:						
Accelerated capital allowances	314	290	24	28	16	10
Other timing differences	70	76	(6)	2	8	(27)
ACT written off	–	–	–	–	3	–
Prior year credit	(27)	(27)	–	–	(6)	(4)
Tax credit on contribution to Qualifying Employee Share Ownership Trust	–	–	–	–	–	(10)
Permanent differences	32	27	5	12	4	15
	8	27	(19)	(8)	(19)	82

There is no tax effect on the exceptional items relating to the profit on sale of fixed assets and the profit on disposal of businesses, subsidiaries and associated undertakings as shown on the face of the profit and loss account.

## 8. Result of the Company

Of the Group loss after taxation, a profit of £390m is attributable to the Company. The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 allowing it not to present its own profit and loss account.

## 9. Dividends

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
On ordinary shares:						
Interim dividend of 1p (12 months to 3 Apr 1999: 3p; 12 months to 28 Mar 1998: 3p) per share	31	31	–	–	62	58
Proposed final dividend of nil (12 months to 3 Apr 1999: 7p; 12 months to 28 Mar 1998: 7p) per share	–	–	–	–	139	137
	31	31	–	–	201	195

## 10. Earnings per ordinary share

Basic loss per ordinary share has been calculated by dividing the loss attributable to shareholders of £1,349m (2 Oct 1999: loss £163m; 3 Apr 1999: loss £81m; 28 Mar 1998: profit £226m) by 3,110m (2 Oct 1999: 1,982m; 3 Apr 1999: 1,980m; 28 Mar 1998: 1,975m) ordinary shares being the weighted average number of shares outstanding during the period. The trustee of the Qualifying Employee Share Ownership Trust (QUEST) has waived all but a nominal amount of the dividend on the trust's holding of shares in the Company, and these shares are therefore not included in the calculation of earnings per ordinary share. For the purpose of calculating diluted loss per share, the weighted average number of shares outstanding has been adjusted for the dilutive effects of options outstanding and the potential conversion of the Koninklijke Hoogovens NV 4.625% bonds (see Note 24). This increases the weighted average number of shares used in the calculation by 100m (2 Oct 1999: 16m; 3 Apr 1999: 3m; 28 Mar 1998: 34m). The loss attributable to shareholders would be reduced by £4m (no effect in other periods).

## 11. Intangible fixed assets

	The Group		Total £m
	Patents and trademarks £m	Goodwill £m	
<b>Cost at beginning of period</b>	–	10	<b>10</b>
Acquisitions	4	–	<b>4</b>
Additions	–	95	<b>95</b>
Exchange translation differences	–	1	<b>1</b>
<b>Cost at end of period</b>	<b>4</b>	<b>106</b>	<b>110</b>
Amortisation at beginning of period	–	–	–
Charge for the period	1	7	<b>8</b>
<b>Amortisation at end of period</b>	<b>1</b>	<b>7</b>	<b>8</b>
<b>Net book value at 30 Dec 2000</b>	<b>3</b>	<b>99</b>	<b>102</b>
Net book value at 2 Oct 1999	–	10	10

The goodwill arising on the acquisition of Koninklijke Hoogovens is being amortised on a straight line basis over 15 years and that in respect of other acquisitions made in the period on a straight line basis of up to 20 years. These are the periods over which the directors estimate that the values of the businesses acquired are expected to exceed the value of their underlying assets.

## 12. Tangible fixed assets

	The Group			Total £m
	Land and buildings £m	Plant and machinery £m	Assets in course of construction £m	
<b>Cost at beginning of period</b>	917	6,525	116	<b>7,558</b>
Additions	29	156	215	<b>400</b>
Acquisitions	303	854	366	<b>1,523</b>
Disposals	(31)	(104)	–	<b>(135)</b>
Exchange translation differences	(5)	8	(11)	<b>(8)</b>
Transfers and other movements	71	359	(430)	<b>–</b>
<b>Cost at end of period</b>	<b>1,284</b>	<b>7,798</b>	<b>256</b>	<b>9,338</b>
<b>Depreciation at beginning of period</b>	<b>601</b>	<b>4,171</b>	<b>–</b>	<b>4,772</b>
Charge for period	61	515	–	<b>576</b>
Accelerated depreciation (Note 3)	–	590	–	<b>590</b>
Disposals	(9)	(87)	–	<b>(96)</b>
Exchange translation differences	–	8	–	<b>8</b>
Transfers and other movements	2	(2)	–	<b>–</b>
<b>Depreciation at end of period</b>	<b>655</b>	<b>5,195</b>	<b>–</b>	<b>5,850</b>
<b>Net book value at 30 Dec 2000</b>	<b>629</b>	<b>2,603</b>	<b>256</b>	<b>3,488</b>
Loose plant, tools and spares (net book value)				<b>275</b>
				<b>3,763</b>
Net book value at 2 Oct 1999	316	2,354	116	2,786
Loose plant, tools and spares (net book value)				330
				3,116
Cost at 3 Apr 1999	895	6,540	125	7,560
Depreciation at 3 Apr 1999	587	4,078	–	4,665
Net book value at 3 Apr 1999	308	2,462	125	2,895
Loose plant, tools and spares (net book value)				345
				3,240

- (i) Included above are fully depreciated assets with an original cost of £1,450m (2 Oct 1999: £1,492m; 3 Apr 1999: £1,332m) which are still in use. In addition, there are fully depreciated assets with an original cost of £163m (2 Oct 1999: £124m; 3 Apr 1999: £139m) which are permanently out of use and pending disposal, demolition or reapplication elsewhere in the business.

	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
(ii) The net book value of land and buildings comprises:			
Freehold	<b>616</b>	304	294
Long leasehold (over 50 years unexpired)	<b>12</b>	11	12
Short leasehold	<b>1</b>	1	2
	<b>629</b>	316	308
(iii) The net book value of plant and machinery comprises:			
Assets held under finance leases:			
Cost	<b>145</b>	155	156
Accumulated depreciation	<b>(109)</b>	(120)	(117)
	<b>36</b>	35	39
Owned assets	<b>2,567</b>	2,319	2,423
	<b>2,603</b>	2,354	2,462
(iv) The net book value of loose plant, tools and spares comprises:			
Cost	<b>638</b>	618	625
Provisions	<b>(363)</b>	(288)	(280)
	<b>275</b>	330	345

Loose plant, tools and spares are shown at net book value. Due to the substantial number of items involved, and the many variations in their estimated useful lives, it is impracticable to give the details of movements normally disclosed in respect of tangible fixed assets. Of the movement in the net book value of loose plant, tools and spares £28m relates to acquisitions. The net book value of loose plant, tools and spares is stated after impairment write downs of £67m, included in the other asset write downs in the rationalisation and impairment exceptional items (Note 3).

## 13. Fixed asset investments

The Company  
Shares in  
subsidiary  
undertakings  
£m

<b>Cost at beginning of period</b>	–
Additions	3,159
<b>Cost and net book value at 30 Dec 2000</b>	<b>3,159</b>

	The Group				Total £m
	Interests in joint ventures and associated undertakings unlisted £m	Loans to joint ventures and associated undertakings £m	Other investments £m	Other loans £m	
<b>Cost at beginning of period</b>	105	11	123	5	<b>244</b>
Additions and transfers	18	6	–	–	<b>24</b>
Acquisitions	103	22	–	8	<b>133</b>
Disposals	–	(5)	(76)	–	<b>(81)</b>
Exchange translation differences	4	–	–	(1)	<b>3</b>
<b>Cost at 30 Dec 2000</b>	<b>230</b>	<b>34</b>	<b>47</b>	<b>12</b>	<b>323</b>
<b>Share of post acquisition reserves at beginning of period</b>	(22)	–	–	–	<b>(22)</b>
Share of results in period retained	(16)	–	–	–	<b>(16)</b>
Disposals	(4)	–	–	–	<b>(4)</b>
Exchange translation differences	(5)	–	–	–	<b>(5)</b>
<b>Share of post acquisition reserves at end of period</b>	<b>(47)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(47)</b>
<b>Provisions at beginning of period</b>	4	–	–	–	<b>4</b>
Additions	26	18	–	–	<b>44</b>
<b>Provisions at 30 Dec 2000</b>	<b>30</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>48</b>
<b>Net book value at 30 Dec 2000</b>	<b>153</b>	<b>16</b>	<b>47</b>	<b>12</b>	<b>228</b>
Net book value at 2 Oct 1999	79	11	123	5	218
Cost at 3 Apr 1999	120	7	123	6	256
Share of post acquisition reserves at 3 Apr 1999	(7)	–	–	–	(7)
Provisions at 3 Apr 1999	9	–	–	–	9
Net book value at 3 Apr 1999	104	7	123	6	240

- (i) Other investments above amounting to £40m (2 Oct 1999: £116m; 3 Apr 1999: £117m) represent amounts held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschaapij NV to fund insurance liabilities of the Group. Of this amount £14m (2 Oct 1999: £50m; 3 Apr 1999: £42m) relates to UK listed investments, market value £14m (2 Oct 1999: £50m; 3 Apr 1999: £42m) and £19m (2 Oct 1999: £49m; 3 Apr 1999: £55m) is listed overseas, market value £18m (2 Oct 1999: £49m; 3 Apr 1999: £57m).
- (ii) Other investments have contractual maturities within one year of £3m between two and five years of £18m and greater than five years of £11m. The remaining investments do not have contractual maturity dates. £31m of other investments have fixed interest rates, where the rate ranges from 1.8% to 10%.
- (iii) The group owns 22,832 of its own shares (nominal value: £11,416; market value: £16,097) and are held in a QUEST to satisfy future exercise of options under the Corus Sharesave Scheme.
- (iv) The Company's principal subsidiary undertakings and joint ventures are listed on pages 72 and 73.

## 14. Stocks

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Raw materials and consumables	557	267	259
Work in progress	505	373	315
Finished goods and goods for resale	657	421	433
	<b>1,719</b>	<b>1,061</b>	<b>1,007</b>

## 15. Debtors

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Amounts falling due within one year:			
Trade debtors	1,699	1,021	1,076
Less allowances for doubtful debts	(70)	(37)	(36)
	<b>1,629</b>	<b>984</b>	<b>1,040</b>
Amounts owed by joint ventures	38	17	14
Amounts owed by associated undertakings	–	1	1
UK corporation tax	14	70	68
Overseas taxation	40	–	–
Other debtors	164	133	108
	<b>1,885</b>	<b>1,205</b>	<b>1,231</b>
Amounts falling due after more than one year:			
Prepaid pension costs (Note 33)	273	96	84
	<b>2,158</b>	<b>1,301</b>	<b>1,315</b>

## 16. Short term investments

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Deposits within 3 months of maturity when acquired	40	1,129	322
Other short term deposits	2	3	884
	<b>42</b>	<b>1,132</b>	<b>1,206</b>
An analysis of short term deposits by currency is set out below:			
Sterling	–	905	1,146
US Dollars	11	36	28
Euros	27	170	–
Deutschmarks	–	7	10
Dutch Guilders	–	1	–
French Francs	–	1	6
Swedish Kronor	4	3	7
Canadian Dollars	–	5	3
Others	–	4	6
	<b>42</b>	<b>1,132</b>	<b>1,206</b>

Deposits are for periods not exceeding one year and the average weighted interest rate was 4.9% (2 Oct 1999: 4.7%; 3 Apr 1999: 5.4%).

Cash at bank and in hand is denominated in Sterling: £53m, US Dollars: £24m, Euros: £101m, Swedish Kronor: £24m and other currencies: £29m. During the period this money earned interest at a floating rate based on LIBOR or at official local rates.

## 17. Creditors: amounts falling due within one year

	The Company		The Group	
	30 Dec 2000 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Bank overdrafts (Note 19)	–	58	53	56
Other loans (Note 19)	5	119	16	17
Obligations under finance leases (Note 19)	–	6	7	8
Trade creditors	–	1,086	755	733
Amounts owed to joint ventures	–	6	5	9
Amounts owed to associated undertakings	–	1	1	1
Dividends payable to shareholders	–	–	2	140
UK corporation tax	–	1	2	–
Advance corporation tax	–	–	–	14
Overseas taxes	–	73	6	4
Other taxation and social security	–	60	46	55
Other creditors	–	424	284	322
	<b>5</b>	<b>1,834</b>	<b>1,177</b>	<b>1,359</b>

Loans of £537m (2 Oct 1999: £310m; 3 Apr 1999: £378m) drawn down under syndicated facilities extending to 2004 have been included in creditors: amounts falling due after more than one year as amounts borrowed for short term periods may be renewed at the Company's option. Interest has been charged at rates varying between 5.4% and 7.1% on those loans during the year.

Other creditors include amounts provided in respect of capital expenditure, insurances, holiday pay, other employment costs and sundry other items.

## 18. Creditors: amounts falling due after more than one year

	The Company		The Group	
	30 Dec 2000 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Borrowings (Note 19):				
11.5% Debenture stock 2016	–	150	150	150
6.75% Bonds 2008	–	198	198	198
5.375% Eurobond 2006	–	249	256	–
4.625% Subordinated convertible debenture loan 2007	–	115	–	–
7% Debenture stock 2002	–	73	–	–
6.75% Debenture stock 2004	–	60	–	–
5.625% Debenture stock 2008	–	84	–	–
Bank and other loans	–	803	394	436
Obligations under finance leases	–	34	38	41
	–	<b>1,766</b>	<b>1,036</b>	<b>825</b>
Amounts owed to subsidiary undertakings	433	–	–	–
Other creditors	–	71	27	27
	<b>433</b>	<b>1,837</b>	<b>1,063</b>	<b>852</b>

Amounts owed to subsidiary undertakings represent loans with no fixed repayment date. Other creditors are denominated in Sterling: £26m, Euros: £37m, US Dollars: £4m and Swedish Kronor: £4m; are due for repayment after five years and are not subject to interest.

## 19. Borrowings and finance leases

(i) The currency and interest exposure of gross borrowings of the Group at 30 Dec 2000 is as follows:

	Weighted average interest rate %	Weighted average time for which rate is fixed years	Fixed rate borrowings £m	Floating rate borrowings £m	Total 30 Dec 2000 £m	Total 2 Oct 1999 £m	Total 3 Apr 1999 £m
Sterling	8.8	10.6	367	213	580	401	411
US Dollars	7.4	9.2	4	365	369	399	381
Euros	5.6	6.9	268	366	634	258	18
Deutschmarks	–	–	–	1	1	10	45
Dutch Guilders	5.8	5.2	332	–	332	1	13
French Francs	–	–	–	–	–	–	10
Swedish Kronor	4.6	9.2	5	8	13	15	13
Other	–	–	–	20	20	28	15
			976	973	1,949	1,112	906

The majority of floating rate borrowings are bank borrowings bearing interest rates based on LIBOR or official local rates. These rates are fixed for periods of up to six months.

The weighted average interest rate on short term borrowings was 5.0% (6 months to 2 Oct 1999: 4.4%; 12 months to 3 Apr 1999: 4.5%).

(ii) The maturity of borrowings is as follows:

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
In one year or less or on demand	185	80	85
Between one and two years	260	84	42
Between two and three years	11	12	33
Between three and four years	636	13	11
Between four and five years	27	319	94
More than five years	841	620	659
	1,960	1,128	924
Less: amounts representing interest in future minimum lease payments	(11)	(16)	(18)
	1,949	1,112	906
Amounts falling due within one year	183	76	81
Amounts falling due after more than one year	1,766	1,036	825

(iii) At 30 Dec 2000 the Group had undrawn committed borrowing facilities of £836m (2 Oct 1999: £359m; 3 Apr 1999: £361m) of which £325m (2 Oct 1999: £36m; 3 Apr 1999: £49m) expired in less than one year, £3m (2 Oct 1999: £107m; 3 Apr 1999: £62m) between one and two years and £508m (2 Oct 1999: £216m; 3 Apr 1999: £250m) in more than two years. Of these undrawn committed facilities, £311m relate to the former Hoogovens Group, use of which is restricted to that part of Corus. Total unutilised bank facilities were £1,167m (2 Oct 1999: £760m; 3 Apr 1999: £788m). These facilities contained various covenants, the most onerous of which was that Group shareholders' funds should not be less than £2,500m.

(iv) As set out in the 'Review of the period', on 31 Jan 2001, the €1,500m facility was replaced with a new three year €2,400m facility. All covenants contained in the facility were consistent with those contained in the previous agreement.

(v) The Debenture stock is secured by a floating charge over the assets of the Company and certain subsidiary undertakings. The Debenture stock contains various covenants, the most onerous of which is that the aggregate value of tangible assets of certain subsidiary undertakings situated in the UK shall not be less than £2,000m.

(vi) The Bonds and Eurobond are unconditional and unsecured. Under the terms of the Bonds the Company has agreed that no further charges will be created over the assets other than the Debenture stock described in (v) above.

## 20. Currency analysis of net assets

The Group's net assets (excluding cash, short term investments and borrowings) by principal currency at 30 Dec 2000 are:

	Net assets by currency of operations £m	Cash and short term investments £m	Gross borrowings £m	Net investment £m
Sterling	2,385	119	(511)	1,993
US Dollars	259	51	(340)	(30)
Euros	2,071	48	(924)	1,195
Swedish Kronor	575	2	(137)	440
Other	228	53	(37)	244
	5,518	273	(1,949)	3,842

The above foreign currency assets and liabilities were matched throughout the period, either because they were denominated in the same currency as the operations to which they belong or the foreign currency borrowing provided a hedge against a foreign equity investment (see Presentation of accounts and accounting policies Note VII). Net assets at 30 Dec 2000 were reduced by provisions for rationalisation and impairment exceptional items.

The Group hedges substantially 100% of its contracted currency transaction exposure by way of forward currency exchange contracts and options. In this respect, no material gains or losses are recognised in the profit and loss account.

## 21. Financial instruments

Corus uses certain financial instruments to reduce business risks which arise from its exposure to foreign exchange and interest rate fluctuations. The instruments used, which are confined principally to forward foreign exchange contracts, forward rate agreements and swaps, involve elements of credit and market rate risk in excess of the amounts recognised in the accounts.

Credit risk arises from the possible failure of counter-parties to meet their obligations under the instruments. However counter-parties are established banks and financial institutions with high credit ratings and Corus continually monitors each institution's credit quality and limits by policy the amount of credit exposure to any one of them. The Group's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. Management believes that risk of incurring such losses is remote. Underlying principal amounts are not at risk.

Market risk arises as a consequence of fluctuations in foreign exchange rates, interest rates and commodity prices. The market risk associated with financial instruments is controlled by means of trading limits and monitoring systems. The instruments detailed above are employed as hedges of transactions included in the accounts or for firm contractual commitments almost all of which mature within one year.

The contract or notional amounts of financial instruments with off-balance sheet risk are as follows:

	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Foreign exchange contracts	885	718	766
Commodity futures and contracts	203	15	15

Whilst the contract or notional amounts of these instruments reflect the volume of activity in particular classes of financial instrument, they do not represent the considerably lower amount of credit and market risk to which the Group is exposed. Corus does not believe it is exposed to any material concentrations of credit risk. Details of guarantees are given in Note 28.

## 22. Fair values of the Group's financial instruments

The major financial risks facing the Group and the objectives and policies for holding financial instruments are discussed in the 'Financial review' on page 18. Short term debtors and creditors have been excluded from all financial instruments disclosures.

	Book value 30 Dec 2000 £m	Fair value 30 Dec 2000 £m	Book value 2 Oct 1999 £m	Fair value 2 Oct 1999 £m	Book value 3 Apr 1999 £m	Fair value 3 Apr 1999 £m
Financial assets:						
Cash and short term investments (i)	273	273	1,273	1,273	1,369	1,369
Other investments (ii)	47	47	123	123	123	125
Financial liabilities:						
Short term borrowings (i)	(183)	(183)	(76)	(76)	(81)	(81)
Long term borrowings (iii)	(1,766)	(1,692)	(1,036)	(1,100)	(825)	(930)
Unrecognised financial instruments:						
Forward foreign exchange contracts (iv)	-	4	-	2	-	7
Commodity futures (iv)	-	(4)	-	3	-	-

The following notes summarise the principal methods and assumptions that are used in estimating the fair values of financial instruments.

Investment securities and long term borrowings are valued at market prices. The fair values of derivatives generally reflect the estimated amounts that the Group would receive or pay to terminate the contracts at 30 Dec 2000, thereby taking into account the current unrealised gains or losses of open contracts. Market rates are available for all of the Group's derivatives.

- (i) The fair values of cash, short term investments and short term borrowings approximate to their book values due to their short term nature.
- (ii) Fair values of other investments are provided by independent fund managers, and are based on quoted market prices or dealer quotes.
- (iii) £973m (2 Oct 1999: £452m; 3 Apr 1999: £498m) of borrowings are with variable rate terms, for which carrying amount approximates to fair value because of the frequency of re-pricing at market value. The remaining £976m (2 Oct 1999: £660m; 3 Apr 1999: £408m) of borrowings are fixed. For these, fair values are based on quoted market values where appropriate, or are estimated by discounting future cash flows using rates currently available to the Group for borrowings with similar terms.
- (iv) The fair value of forward foreign exchange contracts and commodity futures is the net amount that the Group would receive or pay, after settlement of transactions already recorded in the balance sheet.
- (v) Short term debtors and creditors and other long term debtors and creditors have fair values which approximate to their book values and are therefore excluded from the table.

None of the above mentioned instruments is used by Corus for the purposes of speculation.

	Gains 2000 £m	Losses 2000 £m	Net total 2000 £m	Total gains 1999 £m
Unrecognised gains on hedges at 2 Oct 1999	5	-	5	7
Gains arising in previous years recognised in current period	5	-	5	7
Gains arising before 2 Oct 1999 not recognised in current period	-	-	-	-
Unrecognised gains arising during current year	4	-	4	5
Unrecognised losses arising during current year	-	(4)	(4)	-
Unrecognised gains/(losses) on hedges at 30 Dec 2000	4	(4)	-	5
Gains/(losses) expected to be recognised in 2001	4	(4)	-	5

## 23. Provisions for liabilities and charges

	The Group							
	Rationalisation costs	Deferred tax	Insurance (Policy note xv)	Pensions (Note 33)	Other	Total 30 Dec 2000	Total 2 Oct 1999	Total 3 Apr 1999
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At beginning of period</b>	97	3	33	56	21	<b>210</b>	253	292
Acquisitions	20	73	–	103	52	<b>248</b>	–	–
Exchange translation differences	–	(2)	–	(2)	–	<b>(4)</b>	(3)	1
Profit and loss account	332	1	–	32	4	<b>369</b>	5	40
Investment returns	–	–	–	–	–	–	–	3
Reclassifications	–	(3)	–	–	–	<b>(3)</b>	–	–
Utilised in period	(94)	–	(11)	(17)	(25)	<b>(147)</b>	(45)	(83)
<b>At end of period</b>	<b>355</b>	<b>72</b>	<b>22</b>	<b>172</b>	<b>52</b>	<b>673</b>	<b>210</b>	<b>253</b>

- (i) The opening provision included £59m (2 Oct 1999: £84m; 3 Apr 1999: £60m) of redundancy provisions. The Group charge for rationalisation includes £202m (2 Oct 1999: £11m; 3 Apr 1999: £64m) of redundancy costs relating to 7,903 (2 Oct 1999: 420; 3 Apr 1999: 2,971) employees across manufacturing, selling, distribution and administration. £87m (2 Oct 1999: £36m; 3 Apr 1999: £40m) has been utilised in the period in respect of 3,759 (2 Oct 1999: 1,634; 3 Apr 1999: 1,882) employees. £18m of the acquired rationalisation costs related to redundancy costs in respect of 705 employees across manufacturing, selling, distribution and administration. The closing provision includes £192m (2 Oct 1999: £59m; 3 Apr 1999: £84m) of redundancy costs relating to 7,327 (2 Oct 1999: 2,478; 3 Apr 1999: 3,692) employees. Other rationalisation provisions include £10m (2 Oct 1999: £11m; 3 Apr 1999: £12m) for onerous lease payments relating to unutilised premises, £68m for environmental clean up costs and £16m for contract terminations. Although the precise timing of expenditure in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within two years.
- (ii) Deferred tax provided and the full potential liability is made up as follows:

	The Group					
	Amount provided			Full potential liability		
	30 Dec 2000	2 Oct 1999	3 Apr 1999	30 Dec 2000	2 Oct 1999	3 Apr 1999
	£m	£m	£m	£m	£m	£m
Pension prepayment	<b>83</b>	29	25	<b>83</b>	29	25
Accelerated capital allowances	<b>230</b>	56	32	<b>379</b>	450	451
Other timing differences	<b>(241)</b>	(82)	(41)	<b>(224)</b>	(128)	(90)
	<b>72</b>	3	16	<b>238</b>	351	386

- (iii) The insurance provisions relate to Crucible Insurance Company Limited which underwrites marine cargo, employers' liability, public liability and retrospective hearing impairments policies for the Group. These provisions are subject to regular review and are adjusted as appropriate; the value of final insurance settlements is uncertain as is the timing of expenditure.
- (iv) Other provisions include postretirement benefits and environmental provisions for which the timing of any potential expenditure is uncertain.
- (v) Rationalisation provisions include £17m of financial liabilities due within one year, £1m in one to two years, £3m in two to five years and £5m in over five years. These amounts are principally denominated in sterling and bear no interest.

## 24. Share capital

The share capital of the Company and predecessor company is shown below:

	Authorised			Allotted, called up and fully paid		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
4,400,000,000 ordinary shares of 50p each (allotted 3,121,104,265; 2 Oct 1999: 1,982,600,612; 3 Apr 1999: 1,981,757,020; 28 Mar 1998: 1,981,388,595)	2,200	1,300	1,300	1,561	991	991
49,999 redeemable preference shares of £1 each	-	-	-	-	-	-

The predecessor company is British Steel plc. As set out in the 'Presentation of accounts and accounting policies', the group reconstruction whereby Corus Group plc became the holding company of British Steel plc has accordingly been accounted for as a merger. For the purposes of the Group accounts, the comparative figures used are those of British Steel plc.

### Changes in the period to authorised share capital

The Company was incorporated on 16 Jul 1999 with an authorised share capital of £2,200,000,000 comprising 4,400,000,000 ordinary shares of 50p each. On 23 Jul 1999, the authorised share capital was increased to £2,200,049,999 by the creation of 49,999 redeemable preference shares of £1 each.

### Changes in the period to allotted share capital

Two ordinary shares were allotted for cash, and fully paid on incorporation. On 23 Jul 1999, the redeemable preference shares were issued at par and paid up as to, in aggregate, £12,499 by means of an undertaking to pay cash at a future date. The preference shares were paid for and subsequently redeemed at par on 20 Oct 2000.

On 6 Oct 1999 Corus Group plc issued the following ordinary shares of 50p each in accordance with the terms given in the listing particulars relating to the merger of British Steel plc and Koninklijke Hoogovens NV:

- (i) 1,982,600,612 ordinary shares of 50p each were issued in exchange for 1,982,600,612 British Steel ordinary shares of 50p each on a one for one basis. In addition, former shareholders of British Steel were paid £694m in the form of a cash or loan notes distribution of 35p per ordinary share.
- (ii) 1,065,277,412 ordinary shares of 50p each were issued to Hoogovens shareholders upon surrender of 36,507,108 Hoogovens ordinary shares of NLG20 each. Hoogovens shareholders received 29.18 Corus shares for each Hoogovens share.

In the period 6 Oct 1999 to 30 Dec 2000 the following issues of ordinary shares of 50p each have taken place:

- (i) 62,579,401 ordinary shares of 50p each were issued on surrender of 2,144,599 Hoogovens shares on the same terms as given above.
- (ii) 2,930,681 ordinary shares of 50p each were issued on surrender of Hoogovens 4.625% convertible bonds due 2007 with a nominal value of NLG10,144,000. The total consideration received was £3m.
- (iii) 7,716,157 ordinary shares of 50p each were issued wholly in respect of the exercise of options under the Corus UK Sharesave Scheme and the Corus UK Executive Share Option Scheme at prices ranging between 74p and 138p. The aggregate consideration received in respect of these allotments was £8m of which £4m represented a premium over the nominal value.

### Share Options

The Company continues to operate three share option schemes which are former British Steel plc share option schemes. Since 6 Oct 1999 options can no longer be granted under these schemes. Two new schemes have been established for Corus Group employees. The main scheme is the Sharesave Scheme for which the majority of employees are eligible. The other scheme is the Corus Executive Share Option Scheme. Options have been granted under the Corus Executive Share Option Scheme to eligible employees to subscribe for ordinary shares in the Company in accordance with the rules of that Scheme.

Prices at which options are granted under the Corus 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 three consecutive dealing days within thirty days of date of grant. Options are normally exercisable on completion of a three or five year savings contract at the choice of the employee.

The Corus Executive Share Option Scheme is a scheme for senior executives of Corus 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.

## 24. Share capital continued

Options outstanding at 30 Dec 2000 together with their exercise prices and dates of exercise are as follows:

	Number of participants 30 Dec 2000	Price per share	Number of ordinary shares 30 Dec 2000	Number of participants		Price per share	Number of ordinary shares		Normal dates of exercise
				2 Oct 1999	3 Apr 1999		2 Oct 1999	3 Apr 1999	
Corus UK	<b>9</b>	<b>99p</b>	<b>15,943</b>	5,652	6,251	126p	9,861,310	10,691,504	2001
Sharesave Scheme	<b>6,913</b>	<b>100p</b>	<b>21,838,457</b>	7,891	8,390	128p	19,410,750	20,991,272	2001
	<b>3,922</b>	<b>88p</b>	<b>10,523,840</b>	4,678	5,080	113p	9,824,881	10,904,429	2001
	<b>6,165</b>	<b>88p</b>	<b>28,415,784</b>	7,241	7,574	113p	26,588,836	28,176,182	2003
Corus UK	<b>5</b>	<b>74p</b>	<b>559,914</b>	5	6	94p	438,500	497,300	1996-2003
Executive Share	<b>81</b>	<b>107p</b>	<b>2,472,736</b>	82	92	137p	1,958,000	2,132,300	1997-2004
Option Scheme	<b>107</b>	<b>130p</b>	<b>2,629,558</b>	111	114	166p	2,113,100	2,155,200	1998-2005
	<b>64</b>	<b>138p</b>	<b>593,842</b>	68	68	176p	500,200	500,200	1999-2006
	<b>188</b>	<b>122p</b>	<b>2,273,325</b>	190	192	156p	1,797,600	1,817,000	2000-2007
	<b>196</b>	<b>129p</b>	<b>2,637,879</b>	198	-	165p	2,085,200	-	2002-2009
Corus Overseas	<b>1</b>	<b>130p</b>	<b>8,430</b>	1	1	166p	6,600	6,600	1998-2005
Executive Share	<b>109</b>	<b>138p</b>	<b>2,699,915</b>	111	114	176p	2,133,400	2,164,400	1999-2006
Option Scheme	<b>133</b>	<b>122p</b>	<b>3,719,129</b>	134	136	156p	2,923,700	2,951,000	2000-2007
	<b>274</b>	<b>129p</b>	<b>9,378,013</b>	277	-	165p	7,397,940	-	2002-2009
Corus Executive	<b>436</b>	<b>120p</b>	<b>27,664,500</b>	-	-	-	-	-	2003-2010
Share Option Scheme	<b>1</b>	<b>106p</b>	<b>113,600</b>	-	-	-	-	-	2003-2010

Movements in ordinary shares under option schemes are as follows:

	Sharesave Scheme		Executive Share Option Schemes			
	Number	Weighted average price	Corus UK Executive Number	Corus Overseas Executive Number	Corus Executive Number	Weighted average price
At 29 Mar 1997	80,171,825	92p	6,178,500	2,348,500	-	155p
Granted	44,924,351	113p	1,856,500	3,106,400	-	156p
Exercised	(1,140,264)	75p	(192,700)	-	-	101p
Forfeited, expired or lapsed	(6,520,937)	122p	(23,300)	-	-	151p
At 28 Mar 1998	117,434,975	98p	7,819,000	5,454,900	-	156p
Exercised	(35,778,519)	50p	-	-	-	-
Forfeited, expired or lapsed	(10,893,069)	118p	(660,300)	(332,900)	-	156p
At 3 Apr 1999	70,763,387	119p	7,158,700	5,122,000	-	156p
Granted	-	-	2,085,200	7,397,940	-	165p
Exercised	(844,666)	124p	(266,000)	-	-	128p
Forfeited, expired or lapsed	(4,232,944)	119p	(49,900)	(58,300)	-	166p
At 2 Oct 1999 prior to conversion	65,685,777	119p	8,928,000	12,461,640	-	160p
At 6 Oct 1999 after conversion	83,899,100	93p	11,403,426	15,916,990	-	125p
Granted	-	-	-	-	28,261,400	120p
Exercised	(7,646,543)	98p	(45,602)	(24,012)	-	135p
Forfeited, expired or lapsed	(15,458,533)	94p	(190,570)	(87,491)	(483,300)	120p
At 30 Dec 2000	60,794,024	93p	11,167,254	15,805,487	27,778,100	120p

Options were exercisable as follows:

British Steel plc shares						
At 3 Apr 1999	-	-	4,841,500	6,600	-	145p
At 2 Oct 1999	-	-	5,045,200	2,140,000	-	157p
Corus Group plc shares						
At 30 Dec 2000	15,943	98p	6,516,782	3,522,753	1,517,200	118p

The weighted average exercise price of options granted in the period was equivalent to the market value of the options at the date of the grant.

At 30 Dec 2000 there were 32,206,121 ordinary shares available for granting options under the Corus Executive Scheme and 67,483,509 ordinary shares were available for granting options under the Corus Sharesave Scheme.

**24. Share capital** continued**Koninklijke Hoogovens N.V. convertible bonds**

In the event that the holders of Koninklijke Hoogovens NV 4.625% bonds exercise their conversion rights they will be issued with Corus Group plc ordinary shares of 50p each as follows:

	Number of shares to be issued	Period during which right is exercisable	Consideration to be received
Nominal amount of NLG 334,685,000	96,693,438	2000-2007	£95m

**25. Reconciliation of movements in shareholders' funds**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Statutory reserve £m	Other reserves £m	Profit and loss account £m	Joint ventures and associated undertakings reserves £m	Total £m
<b>The Company</b>								
At incorporation	-	-	-	-	-	-	-	-
New shares issued	1,561	5	-	-	802	-	-	2,368
Share issue expenses	-	-	-	-	(6)	-	-	(6)
Profit retained	-	-	-	-	-	359	-	359
At 30 Dec 2000	1,561	5	-	-	796	359	-	2,721
<b>The Group</b>								
At 29 Mar 1997 – as previously stated	1,019	17	-	2,338	-	1,352	31	4,757
Merger adjustment to reflect Scheme of Arrangement (vi)	-	(17)	-	-	17	-	-	-
At 29 Mar 1997 – restated	1,019	-	-	2,338	17	1,352	31	4,757
Profit retained	-	-	-	-	-	44	(13)	31
Exchange translation differences on foreign currency net investments	-	-	-	-	-	(28)	(1)	(29)
Share buy back	(47)	-	47	-	-	(146)	-	(146)
New shares issued	19	34	-	-	-	(34)	-	19
Transfers (vi)	-	(34)	(47)	-	81	-	-	-
Goodwill arising on consolidation	-	-	-	-	-	(10)	-	(10)
Disposals and transfers	-	-	-	-	-	4	(4)	-
At 28 Mar 1998	991	-	-	2,338	98	1,182	13	4,622
Loss retained	-	-	-	-	-	(264)	(18)	(282)
Exchange translation differences on foreign currency net investments	-	-	-	-	-	8	(2)	6
At 3 Apr 1999	991	-	-	2,338	98	926	(7)	4,346
Loss retained	-	-	-	-	-	(149)	(14)	(163)
Exchange translation differences on foreign currency net investments	-	-	-	-	-	(11)	1	(10)
New shares issued	-	1	-	-	-	-	-	1
Transfers (vi)	-	(1)	-	-	1	-	-	-
Disposals and transfers	-	-	-	-	-	2	(2)	-
At 2 Oct 1999	991	-	-	2,338	99	768	(22)	4,174
Loss retained	-	-	-	-	-	(1,364)	(16)	(1,380)
Exchange translation differences on foreign currency net investments	-	-	-	-	-	(26)	(5)	(31)
Transfers and disposals	-	-	-	-	-	4	(4)	-
Cash and loan notes to shareholders (under Scheme of Arrangement) (vi)	-	-	-	-	(694)	-	-	(694)
New shares issued (vi)	570	5	-	-	802	-	-	1,377
Share issue expenses	-	-	-	-	(6)	-	-	(6)
At 30 Dec 2000	1,561	5	-	2,338	201	(618)	(47)	3,440

## 25. Reconciliation of movements in shareholders' funds continued

- (i) £381m of the statutory reserves is available for distribution; the balance of £1,957m constitutes restricted reserves which may only be applied in paying up unissued shares to be allotted to its members as fully paid bonus shares.
- (ii) Distributable retained profits of subsidiary and associated undertakings attributable to the Group include £1,571m (2 Oct 1999: £336m; 3 Apr 1999: £335m; 28 Mar 1998: £373m) retained overseas. The deferred taxation provision includes £nil (2 Oct 1999: £nil; 3 Apr 1999: £nil; 28 Mar 1998: £14m) in respect of UK corporation tax on planned future remittances of the accumulated reserves of overseas subsidiaries. Deferred tax has not been provided on earnings retained overseas as it is not intended to remit earnings which would give rise to significant UK tax liabilities after taking account of any related double tax relief.
- (iii) Retained profits of subsidiary undertakings include £14m (2 Oct 1999: £14m; 3 Apr 1999: £13m; 28 Mar 1998: £18m) which is considered by the directors as not available for distribution.
- (iv) As at 30 Dec 2000, the cumulative net goodwill written off to Group reserves resulting from acquisitions prior to 28 Mar 1998 amounts to £325m (see Presentation of accounts and accounting policies Note II).
- (v) There was a foreign exchange loss of £8m arising on certain foreign currency borrowings. This has been set off against exchange differences on foreign currency investments and deposits. The cumulative effect of exchange translation differences is to reduce shareholders' funds by £90m.
- (vi) The application of merger accounting principles in the current period to the Group reconstruction which involved the creation of a new holding company (see Presentation of accounts and accounting policies) gave rise to a difference which is accounted for as a merger difference and included within other reserves. Prior year figures are restated accordingly. The movements and balances shown above under other reserves represent the effects of merger accounting for the creation of the new holding company. The difference between the fair value of shares issued for the acquisition of Koninklijke Hoogovens and the nominal value of these shares has been credited to other reserves as section 131 of the Companies Act 1985 gives relief from this amount being recognised as share premium. The balance on the other reserves at 30 Dec 2000 represents the difference between the Company's investment in the former holding company (British Steel plc) and the called up share capital, share premium and capital redemption reserves of the former holding company at 6 Oct 1999, the date of reorganisation, offset by the premium on the shares issued to acquire Koninklijke Hoogovens.

## 26. Future capital expenditure

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Contracted but not provided for	52	33	32
Authorised but contracts not yet placed	53	38	38

The above figures incorporate an estimate for future inflation.

## 27. Operating leases

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Committed amounts payable for the next year are:			
Leases of land and buildings expiring:			
Within one year	2	1	1
In years two to five	6	2	2
After more than five years	31	9	9
	39	12	12
Other leases expiring:			
Within one year	2	2	3
In years two to five	11	6	7
After more than five years	1	–	–
	14	8	10
Future minimum lease payments for the Group at 30 Dec 2000 are:			
In one year	53	20	22
Between one and two years	48	17	18
Between two and three years	45	14	16
Between three and four years	42	12	12
Between four and five years	41	10	10
More than five years	98	74	78

## 28. Contingencies

	The Group		
	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Guarantees given under trade agreements	20	14	15
Uncalled share capital	1	1	1
Others	14	6	8

There are also contingent liabilities in the ordinary course of business in connection with the completion of contractual arrangements.

There has within the European steel industry historically been close co-operation among steel companies, the European Commission and governments. European steel producers individually and through trade associations have played an important part in conjunction with both the European Commission and governments in the process of attempting to resolve problems of excess capacity, its causes and its consequences. Trade associations and other industry groups cover a wide range of issues where there is a need for a common industry voice, including international trade policies, social and environmental control issues, research and development matters, market conditions and various aspects of the sale and marketing of related steel products. The Group policy with respect to the continuation of its membership of and role in these organisations is influenced by the attitude of the enforcement authorities (including the European Commission and authorities in other jurisdictions), which continue to make investigations at their discretion. Enforcement authorities' attitudes may be dependent on economic, market and political circumstances and therefore subject to change, including retrospective change, from time to time.

In Dec 1994 the European Commission inspected various tube and pipe producers including British Steel. The Company, together with certain other tube manufacturers, received Statements of Objections in Jan 1999 from the European Commission concerning alleged anti-competitive behaviour with regard to the supply of some seamless and large diameter pipes, to which the Company replied in Apr 1999. An oral hearing took place in Jun 1999. The European Commission intimated that it did not propose proceeding with the allegations concerning large diameter pipes after that hearing. In Dec 1999 fines were imposed on various of the producers, including a fine of €12.6m (£8m) on Corus which was taken into account in the 1999 financial statements. Corus appealed the decision in Mar 2000 in the Court of First Instance and the procedure is in process.

In Nov 2000, the US mills filed an anti-dumping complaint against imports of hot rolled steel from eleven countries, including the Netherlands. Corus is contesting this complaint which, if upheld, could result in additional duties being applied on Corus sales into the US of hot rolled steel from the Netherlands. The investigation by the US authorities into this complaint is continuing, with a final decision on the case scheduled for Aug 2001, subject to a possible extension.

## 29. Acquisitions

On 6 Oct 1999 Corus Group plc merged its British Steel business with that of Koninklijke Hoogovens. The merger is being accounted for by the acquisition method of accounting. The consideration was met by the issue of 29.18 shares in Corus Group for each Hoogovens ordinary share, except for the final 0.3% minority where the court approved an escrow cash payment of £4m, and by cash for each preference share, the cash consideration being met from the Group's cash resources. The net assets acquired were:

	Notes	Book value £m	Revaluations £m	Consistency of accounting policies £m	Fair value £m
Tangible fixed assets (including loose plant, tools and spares)	(i)	1,410	(16)	–	1,394
Investments in joint ventures and associated undertakings		103	–	–	103
Other investments and loans		30	–	–	30
Stocks	(ii) (iii)	542	14	(14)	542
Debtors	(iii) (iv) (vii)	575	187	(9)	753
Cash at bank		54	–	–	54
Short term liabilities	(iii)	(557)	–	(2)	(559)
Bank overdrafts		(20)	–	–	(20)
Other short term borrowings		(120)	–	–	(120)
Long term borrowings	(v)	(453)	(28)	–	(481)
Rationalisation provisions	(vi)	(23)	–	3	(20)
Deferred tax	(viii) (ix)	(104)	(61)	84	(81)
Other provisions	(iv) (vi)	(128)	(24)	1	(151)
Accruals and deferred income		(29)	–	–	(29)
Minority interests		(2)	–	–	(2)
		1,278	72	63	1,413
Cost of investment:					
Ordinary shares issued					(1,366)
Cash					(83)
					(1,449)
Goodwill					(36)

The main items of revaluation and accounting policy changes to arrive at the fair values were:

- (i) Revaluation to recognise asset impairment in long products business.
- (ii) Revaluation of stocks to current replacement cost.
- (iii) Consistency of accounting policies adjustment to exclude non-direct overheads and interest in stock values and to recognise profit on long term contracts.
- (iv) Revaluation of debtors and other provisions to recognise the fair value of pension schemes for UK GAAP.
- (v) Revaluation of long term borrowings to market value.
- (vi) Consistency of accounting policies adjustment to add back provisions not compliant with UK GAAP.
- (vii) Consistency of accounting policies adjustment to write off deferred tax assets that are not considered to be recoverable in the foreseeable future.
- (viii) Revaluation of deferred tax liability to reflect the impact of fair value adjustments.
- (ix) Consistency of accounting policies adjustment to recognise the extent to which it is probable that a liability will crystallise.

**29. Acquisitions** continued

In its last full financial year to 31 Dec 1998 Koninklijke Hoogovens made a profit after taxation and minority interests of £127m. The following table shows the summarised profit and loss account of Koninklijke Hoogovens as prepared under local GAAP from 1 Jan 1999, the beginning of its financial year to the effective date of acquisition, 6 Oct 1999. The table also shows, for the twelve months to 3 Apr 1999 and six months to 6 Oct 1999, the proforma results of the enlarged Group, under UK GAAP, as though Koninklijke Hoogovens had been acquired at the start of those periods.

Profit and loss account	Koninklijke Hoogovens NV (local GAAP)	Proforma Corus Group (UK GAAP)	
	9 months to 6 Oct 1999 £m	6 months to 6 Oct 1999 £m	12 months to 3 Apr 1999 £m
Turnover	2,121	4,151	9,573
Operating profit/(loss)	102	(108)	33
Profit/(loss) before taxation	78	(91)	35
Taxation	(25)	(11)	(32)
Extraordinary items	6	–	–
Minority interests	–	(4)	43
Retained profit/(loss)	59	(106)	46
Basic (loss)/earnings per share	–	(3.39)p	1.48p
Diluted (loss)/earnings per share	–	(3.39)p	1.48p

Other acquisitions during the period were: in Oct 1999, Sogeraïl for £83m; in Nov 1999 Avesta Sheffield acquired Lee Steel Strip for £18m; in Jan 2000, Reycan for £43m; in Apr 2000, Avesta Sheffield acquired the balance of 80% in Smidesbolaget L. Persson, its former associated undertaking for £2m; and, in Aug 2000, European Electrical Steels acquired Kienle & Spiess for £61m. There were no material differences between book values and fair values. The net assets acquired were:

	£m
Intangible fixed assets	4
Tangible fixed assets	157
Stocks	59
Debtors	103
Cash at bank	21
Short term liabilities	(96)
Bank overdraft	(14)
Long term liabilities and provisions	(59)
Minority interests	(27)
Net assets	148
Cash cost of investment	(203)
Deferred consideration of investment	(4)
Goodwill	(59)

**30. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
Operating (loss)/profit	(1,152)	(1,030)	(122)	(189)	(174)	265
Depreciation (net of grants released)	1,157	1,043	114	146	304	295
Change in pension prepayments and provisions	4	(25)	29	(11)	(5)	(1)
Increase in provisions for doubtful debts	19	8	11	2	6	–
Increase/(decrease) in insurance and other provisions	12	11	1	4	(22)	(6)
Decrease/(increase) in loose plant, tools and spares	86	87	(1)	14	(20)	(11)
(Increase)/decrease in stocks	(63)	5	(68)	(68)	227	(16)
(Increase)/decrease in debtors	(97)	14	(111)	54	324	(9)
(Decrease)/increase in creditors	(104)	(52)	(52)	(22)	(204)	17
Rationalisation costs provided	332	322	10	12	70	22
Utilisation of rationalisation provisions	(94)	(67)	(27)	(42)	(69)	(44)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>100</b>	<b>316</b>	<b>(216)</b>	<b>(100)</b>	<b>437</b>	<b>512</b>

## 31. Analysis of cash flow items

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
<b>Returns on investments and servicing of finance</b>						
Interest and other dividends received	45	33	12	52	97	92
Interest paid	(132)	(127)	(5)	(35)	(57)	(42)
Interest element of finance lease rental payments	(6)	(4)	(2)	(2)	(6)	(8)
Dividends paid to minority shareholders in subsidiary undertakings	(19)	(19)	–	–	(7)	(6)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	<b>(112)</b>	<b>(117)</b>	<b>5</b>	<b>15</b>	<b>27</b>	<b>36</b>
<b>Taxation</b>						
UK corporation tax received/(paid)	57	71	(14)	(14)	(48)	(178)
Overseas tax (paid)/received	(14)	(29)	15	(2)	(12)	(5)
<b>Tax received/(paid)</b>	<b>43</b>	<b>42</b>	<b>1</b>	<b>(16)</b>	<b>(60)</b>	<b>(183)</b>
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets	(410)	(320)	(90)	(67)	(248)	(396)
Sale of tangible fixed assets	44	32	12	11	24	19
Sale of other fixed asset investments	76	73	3	1	49	11
Loans to joint ventures and associated undertakings	(6)	(4)	(2)	(5)	(6)	–
Repayment of loans	5	3	2	2	2	–
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(291)</b>	<b>(216)</b>	<b>(75)</b>	<b>(58)</b>	<b>(179)</b>	<b>(366)</b>
<b>Acquisitions and disposals</b>						
Purchase of subsidiary undertakings and businesses (Note 29)	(286)	(106)	(180)	(32)	(1)	(31)
Net cash acquired with subsidiary undertakings and businesses	41	20	21	(6)	1	–
Investments in joint ventures and associated undertakings	(18)	(17)	(1)	–	(7)	(21)
Sale of businesses and subsidiary undertakings	4	2	2	9	1	–
Sale of joint ventures and associated undertakings	–	–	–	2	–	27
<b>Net cash outflow from acquisitions and disposals</b>	<b>(259)</b>	<b>(101)</b>	<b>(158)</b>	<b>(27)</b>	<b>(6)</b>	<b>(25)</b>
<b>Financing</b>						
Amount (applied)/received on account of allotment of shares	–	–	–	–	(15)	15
Issue of ordinary shares	11	11	–	1	18	1
Purchase of own shares	–	–	–	–	–	(146)
Cash to shareholders	(689)	(3)	(686)	–	–	–
Share issue expenses	(6)	–	(6)	–	–	–
Cash (outflow)/inflow from issue of ordinary shares	<b>(684)</b>	<b>8</b>	<b>(692)</b>	<b>1</b>	<b>3</b>	<b>(130)</b>
New loans	339	226	113	292	198	105
Repayment of borrowings	(101)	(29)	(72)	(63)	(59)	(12)
Capital element of finance lease rental payment	(23)	(21)	(2)	(4)	(8)	(5)
Increase in debt	<b>215</b>	<b>176</b>	<b>39</b>	<b>225</b>	<b>131</b>	<b>88</b>
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(469)</b>	<b>184</b>	<b>(653)</b>	<b>226</b>	<b>134</b>	<b>(42)</b>

Koninklijke Hoogovens contributed £272m to the Group's net operating cash flows, paid £18m in interest, paid £10m in taxation, utilised £230m for capital expenditure and £43m for acquisition and disposals.

## 32. Analysis of net borrowings

	3 Apr 1999 £m	Disposals (excluding cash and overdrafts) £m	Cash flow £m	Exchange rate movements £m	2 Oct 1999 £m	Acquisitions (excluding cash and overdrafts) £m	Cash flow £m	Exchange rate movements £m	30 Dec 2000 £m
Cash at bank and in hand	163	–	(19)	(3)	141	–	84	6	<b>231</b>
Bank overdrafts	(56)	–	2	1	(53)	–	(6)	1	<b>(58)</b>
<b>(Decrease)/increase in cash</b>		–	(17)			–	78		
Short term investments									
Deposits within 3 months of maturity when acquired	322	–	813	(6)	1,129	–	(1,090)	1	<b>40</b>
Other short term deposits	884	–	(882)	1	3	–	(1)	–	<b>2</b>
<b>Decrease in liquid resources</b>		–	(69)			–	(1,091)		
Long term borrowings	(784)	3	(229)	12	(998)	(472)	(265)	3	<b>(1,732)</b>
Other loans	(17)	–	–	1	(16)	(130)	27	–	<b>(119)</b>
Obligations under finance leases	(49)	–	4	–	(45)	(19)	23	1	<b>(40)</b>
<b>Increase in debt</b>		3	(225)			(621)	(215)		
	463	3	(311)	6	161	(621)	(1,228)	12	<b>(1,676)</b>

## 33. Pension schemes

### UK GAAP

The Group operates a number of pension schemes throughout the world covering the majority of employees. With the exception of Germany and certain unfunded schemes in Sweden and the UK, the assets of these schemes are held in separate independently administered funds. The principal pension scheme of the Group is the British Steel Pension Scheme (1990) (the 'BS Scheme'). Corus Engineering Steels' employees are members of the British Steel Engineering Steels Pension Scheme (the 'BSES Scheme'). Most employees of Koninklijke Hoogovens are members of either the Stichting Pensioenfonds Hoogovens Scheme (the 'SPH Scheme') or the collective German Schemes (the 'KHG Schemes'). These are defined benefit schemes providing benefits based on final pay and service at retirement.

Pension costs, which have been determined in accordance with actuarial advice and best local practice, were as follows:

	15 months to 30 Dec 2000 £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
BS, BSES, SPH and KHG Schemes:				
Regular cost	<b>211</b>	52	91	94
Variation due to spreading of identified surplus	<b>(125)</b>	(40)	(44)	(46)
Interest	<b>(16)</b>	(3)	(7)	(7)
BS, BSES, SPH and KHG pension costs	<b>70</b>	9	40	41
Other schemes' net pension cost	<b>58</b>	10	16	19
<b>Total pension costs of the Group</b>	<b>128</b>	19	56	60

A prepayment in respect of the BS Scheme of £103m (2 Oct 1999: £99m; 3 Apr 1999: £87m; 28 Mar 1998: £85m) is included in debtors, representing the excess of the amounts funded over the pensions charges in previous years. Of the prepayment, £90m (2 Oct 1999: £94m; 3 Apr 1999: £81m; 28 Mar 1998: £79m) falls due after more than one year.

A prepayment in respect of the SPH Scheme of £200m is included in debtors, representing the excess of the amounts funded over pension charges in previous years. Of the prepayment £176m falls due after more than one year.

An amount of £8m (2 Oct 1999: £10m; 3 Apr 1999: £9m; 28 Mar 1998: £9m) has been included in provisions for liabilities and charges, in respect of the BSES Scheme, representing the variation from regular costs to be spread over the expected remaining service lives of the current employees of Corus Engineering Steels Limited.

An amount of £79m has been included in provisions for liabilities and charges in respect of the KHG Schemes, representing the variation from regular costs to be spread over the expected remaining service lives of the current employees in that scheme.

In respect of certain other schemes, provisions of £85m (2 Oct 1999: £46m; 3 Apr 1999: £47m; 28 Mar 1998: £43m) have been included in provisions for liabilities and charges, and prepayments of £7m (2 Oct 1999: £2m; 3 Apr 1999: £3m; 28 Mar 1998: £3m) have been included in debtors falling due after more than one year.

### 33. Pension schemes continued

The results of the most recent actuarial valuations of the principal schemes, which were carried out by independent qualified actuaries, were as follows:

		BS Scheme	BSES Scheme
Date of last formal valuation		31 Mar 1999	6 Apr 1999
Actuarial method used		Projected unit	Projected unit
Market value of assets at last valuation date	£m	8,765	561
Level of funding, being the actuarial value of assets expressed as a percentage of the actuarial value of the accrued benefits after allowing for expected future increases in pay and pension	%	115.0	100.4
Main assumptions			
Wages and salaries increases p.a.	%	4.25	4.25
Return on investments	%	6.50	6.10
Pension increases p.a.	%	2.50	2.75
Dividends increases	%	3.00	not applicable
Next formal valuation to be carried out as at		31 Mar 2002	6 Apr 2002

For the SPH and KHG Schemes, the local funding valuations or calculation of provisions are not appropriate for SSAP24. For these schemes the local actuaries have recalculated, as at 30 Dec 2000 the valuation results and bases appropriate for SSAP24. These results are detailed below:

		SPH Scheme	KHG Schemes
Actuarial method used		Projected unit	Projected unit
Market value of assets at last valuation date	£m	2,846	unfunded
Level of funding, being the actuarial value of assets expressed as a percentage of the actuarial value of the accrued benefits after allowing for expected future increases in pay and pension	%	126.0	unfunded
Main assumptions			
Wages and salaries increases p.a.	%	4.0	4.0
Return on investments	%	6.0	6.0
Pension increases p.a.	%	2.5	2.5
Dividends increases	%	not applicable	not applicable
Next formal valuation to be carried out as at		not applicable	not applicable

#### US GAAP

For the purpose of determining annual or periodic pension costs in accordance with US GAAP the Group adopts US Statements of Financial Accounting Standards SFAS Nos. 87 & 88. For disclosure purposes, the Group adopts SFAS No. 132 'Employers' Disclosures about Pensions and other Postretirement Benefits'. This Statement standardises the disclosure requirements and has no impact upon pensions measurements and recognition.

The components of the BS Scheme's pension cost under SFAS No. 87 are as follows:

	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m	28 Mar 1998 £m
Service cost	203	84	146	122
Interest cost	452	170	381	438
Expected return on scheme assets	(665)	(265)	(549)	(554)
Amortisation of gains	(34)	-	-	-
Amortisation of prior service cost	49	14	27	25
Amortisation of transition asset	(5)	(2)	(4)	(4)
Net periodic benefit cost under SFAS No. 87	-	1	1	27

The defined benefit obligations for the BS Scheme were determined using the following assumptions:

		30 Dec 2000	2 Oct 1999	3 Apr 1999	28 Mar 1998
Discount rate	%	4.75	5.00	4.75	6.00
Rate of future salary increases	%	4.25	4.25	4.25	4.75
Rate of future pension increases	%	2.50	2.50	2.50	3.00
Expected long term rate of return on scheme assets	%	6.25	6.50	7.75	8.75

**33. Pension schemes** continued

The disclosure requirements of SFAS No. 132, as calculated under SFAS No. 87, are as follows:

	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Change in benefit obligation:			
Benefit obligation at beginning of period	7,499	7,286	6,523
Service cost	203	84	146
Interest cost	452	170	381
Employee contributions	44	18	37
Actuarial movement	7	74	591
Scheme amendments	–	145	–
Other changes	–	–	39
Benefits paid	(459)	(278)	(431)
Benefit obligation at end of period	7,746	7,499	7,286
Change in scheme assets:			
Fair value of scheme assets at beginning of period	8,450	8,765	8,347
Actual return on scheme assets	885	(71)	738
Employer contributions	19	16	35
Employee contributions	44	18	37
Other changes	–	–	39
Benefits paid	(459)	(278)	(431)
Fair value of scheme assets at end of period	8,939	8,450	8,765
Funded status:			
Fair value of scheme assets at end of period	8,939	8,450	8,765
Projected benefit obligation	(7,746)	(7,499)	(7,286)
Assets in excess of projected benefit obligation	1,193	951	1,479
Reconciliation of funded status:			
Prepaid pension cost	293	274	259
Unrecognised net gain at date of initial application of SFAS No. 87	6	11	13
Unrecognised prior service cost	(158)	(207)	(76)
Other unrecognised net gain	1,052	873	1,283
Assets in excess of projected benefit obligation	1,193	951	1,479

On adoption of SFAS No. 87 there was a transition asset of £64m representing the excess of the market value of the BS Scheme's investments over its liabilities in respect of past service (with full allowance for future salary increases), the projected benefit obligation. This amount is being recognised in equal installments over fifteen years since adoption.

Improvements in death in service benefits granted in 1988 and changes in the pension arrangements made in 1990 and 1999 are reflected in prior service costs. Prior service costs are amortised on a straight-line basis over the average remaining service period of employees active at the date of amendment. At 30 Dec 2000, there was an unrecognised actuarial gain of £1,052m (2 Oct 1999: £873m; 3 Apr 1999: £1,283m) arising out of actual experience differing from assumptions made primarily in respect of investment performance. Cumulative actuarial gains or losses excluding asset gains and losses not yet reflected in market-related value which exceed 10% of the greater of the projected benefit obligation and the market-related value of the scheme's assets will be amortised on a straight-line basis over the average remaining service period of active employees.

The BS Scheme's assets are invested in UK equities, fixed interest and index-linked securities, overseas equities and property.

The combined components of the BSES, SPH and KHG Schemes pension cost under SFAS No. 87 are as follows:

	30 Dec 2000 £m
Service cost	94
Interest cost	197
Expected return on scheme assets	(242)
Amortisation of losses	5
Amortisation of prior service cost	–
Amortisation of transition liability	3
Net periodic benefit cost under SFAS No. 87	57

### 33. Pension schemes continued

The combined defined benefit obligations for the BSES, SPH and KHG Schemes were determined using the following assumptions:

		30 Dec 2000
Discount rate	%	<b>5.0 to 6.0</b>
Rate of future salary increases	%	<b>4.0 to 4.25</b>
Rate of future pension increases	%	<b>2.50</b>
Expected long term rate of return on scheme assets	%	<b>6.0 to 6.50</b>

The disclosure requirements of SFAS No. 132, as calculated under SFAS No. 87, are as follows:

	30 Dec 2000 £m
Change in benefit obligation:	
Benefit obligation at beginning of period	<b>670</b>
Benefit obligation arising from SPH and KHG Schemes	<b>2,629</b>
Service cost	<b>94</b>
Interest cost	<b>197</b>
Employee contributions	<b>15</b>
Actuarial movement	<b>(138)</b>
Exchange rate movements	<b>(73)</b>
Benefits paid	<b>(129)</b>
Benefit obligation at end of period	<b>3,265</b>
Change in scheme assets:	
Fair value of scheme assets at beginning of period	<b>565</b>
Fair value of scheme assets arising from SPH and KHG Schemes	<b>2,659</b>
Actual return on scheme assets	<b>390</b>
Employer contributions	<b>39</b>
Employee contributions	<b>15</b>
Exchange rate movements	<b>(66)</b>
Benefits paid	<b>(129)</b>
Fair value of scheme assets at end of period	<b>3,473</b>
Funded status:	
Fair value of scheme assets at end of period	<b>3,473</b>
Projected benefit obligation	<b>(3,265)</b>
Assets in excess of projected benefit obligation	<b>208</b>
Reconciliation of funded status:	
Pension liability	<b>(39)</b>
Unrecognised net loss at date of initial application of SFAS No. 87	<b>(16)</b>
Unrecognised prior service cost	<b>(45)</b>
Other unrecognised net gain	<b>308</b>
Assets in excess of projected benefit obligation	<b>208</b>

### 34. Emoluments of directors

Details of directors' emoluments and share options are shown on pages 27 to 32.

### 35. Post balance sheet events

- (i) On 22 Jan 2001, Corus exchanged its 51% shareholding in Avesta Sheffield for a 23% shareholding in AvestaPolarit. AvestaPolarit was formed by the merger of Avesta Sheffield with the stainless steel operation of Outokumpu. With effect from this date, Avesta Sheffield ceased to be a subsidiary of Corus and AvestaPolarit became an associated undertaking of the Group. It is not practical at this date to estimate the financial effect of this transaction on the Group.
- (ii) On 31 Jan 2001 new borrowing facilities were arranged. Details of these facilities are given in Note 19.

# Principal subsidiary undertakings and joint ventures

The most important subsidiary undertakings and joint ventures of the Group at 30 Dec 2000 are set out below. A complete list of subsidiary undertakings, joint ventures and associated undertakings will be attached to the Annual Return to the Registrar of Companies.

Country names are countries of incorporation. Undertakings operate principally in their country of incorporation except where otherwise stated.

## Subsidiary undertakings

Steel and aluminium producing, further processing or related activities:

### England and Wales

Corus UK Limited a  
 Avesta Sheffield Holdings Limited (51% owned)  
 Corus Engineering Steels Limited  
 (also capped participation shares and non-cumulative redeemable convertible capped participation preference shares)  
 European Electrical Steels Limited (75% owned)  
 Orb Electrical Steels Limited (75% owned)

### Australia

Avesta Sheffield Pty Limited (51% owned)

### Austria

Avesta Sheffield GesmbH (51% owned)

### Belgium

Corus Aluminium NV b

### Canada

Corus Aluminium Quebec and Comp. LP b  
 Corus LP (60% owned)  
 Corus CIC Inc

### Czech Republic

Corus Central Europe s.r.o

### Denmark

Inter Profiles A/S

### Finland

Corus Finland Oy

### France

Corus France SA  
 Monopanel SA b  
 Myriad SA b  
 Sogerail SA  
 Unitol SA b

### Germany

Corus Aluminium Profiltechnik GmbH b  
 Corus Aluminium Profiltechnik Bonn GmbH b  
 Corus Aluminium Voerde GmbH b  
 Corus Aluminium Walzprodukte GmbH b  
 Corus Distribution Germany GmbH  
 Hille & Muller GmbH & Co.KG b  
 Kienle & Spiess GmbH

### Hong Kong

Corus (Asia) Limited

### Ireland (Republic of)

The Steel Company of Ireland Limited

### Italy

Avesta Sheffield SpA (51% owned)

### Netherlands

Aluminium Delfzijl BV b  
 Feijen Staalservice BV  
 Multi Steel BV  
 Corus Consulting BV b  
 Corus Met BV b  
 Corus Primary Aluminium BV b  
 Corus Perfo BV b  
 Corus Services Nederlands BV b  
 Corus Staal BV b  
 Corus Technology BV b  
 Corus Tubes BV b  
 Corus Vliet & de Jonge BV  
 Koninklijke Hoogovens NV a  
 S.A.B. Profiel BV b

### New Zealand

Corus New Zealand Limited

### Norway

Corus Norge AS  
 Corus Packaging Plus Norway AS b

### Poland

Corus Polska Sp.zo.o

**Portugal**

Corus-Sistemas Construtivos e Revestimentos  
Metalicos LDA

**Singapore**

Avesta Sheffield (SEA) Pte Limited (50.5% owned)

**Spain**

Corus SA  
Laminacion y Derivados SA

**Sweden**

Avesta Sheffield AB (51% owned)  
Surahammars Bruk AB (75% owned)

**USA**

Avesta Sheffield Inc NAD (51% owned)  
Corus America Inc  
Thomas Steel Strip Corp  
Tuscaloosa Steel Corporation

Insurance underwriting for certain risks of the Group:

**Isle of Man**

Crucible Insurance Company Limited

Other undertakings:

**England and Wales**

UK Steel Enterprise Limited

**Joint ventures**

Steel processing or related activities:

		Issued capital Number of shares	% held
<b>England and Wales</b>			
Caparo Merchant Bar plc	b		
ordinary shares of £1		2,466,667	25
<b>Norway</b>			
Norsk Stål AS			
shares of NOK1,000		63,500	50
Norsk Stål Tynnplater AS			
shares of NOK1,000		26,500	50
<b>Sweden</b>			
Fagersta Stainless AB	b		
shares of SEK100		800,000	25.5
<b>Turkey</b>			
Corus Celik Ticaret AS	b		
shares of TRL100,000		800	50
<b>USA</b>			
Trico Steel Co LLC			
ownership interest			25

Subsidiary undertakings are wholly owned except where otherwise stated and comprise ordinary shares except where otherwise stated. Shares in undertakings marked 'a' are owned directly by the Company, and, in undertakings not so marked, are owned by a subsidiary undertaking of the Company.

Accounts of undertakings marked 'b' are not audited by PricewaterhouseCoopers.

# Supplementary information for North American investors

## United States generally accepted accounting principles

The Group prepares its accounts in accordance with generally accepted accounting principles (GAAP) applicable in the UK which differ in certain significant respects from those applicable in the USA. These differences and the adjustments necessary to restate (loss)/profit for the financial period and shareholders' equity in accordance with US GAAP are shown in the tables set out below:

	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m	12 months to 28 Mar 1998 £m
<b>(Loss)/profit for financial period</b>						
<b>(Loss)/profit attributable to shareholders – UK GAAP</b>	<b>(1,349)</b>	(1,224)	(125)	(163)	(81)	226
Adjustments:						
Amortisation of goodwill (i)	<b>(23)</b>	(18)	(5)	(7)	(14)	(14)
Interest costs capitalised (ii)	<b>30</b>	23	7	4	21	27
Depreciation of capitalised interest (ii)	<b>(37)</b>	(32)	(5)	(5)	(10)	(8)
Pension costs (iii)	<b>10</b>	7	3	(5)	34	(18)
Stock-based employee compensation awards (iv)	<b>(10)</b>	(8)	(2)	(3)	(8)	(6)
Rationalisation costs (vi)	<b>-</b>	-	-	-	(14)	14
Deferred taxation (vii)	<b>268</b>	245	23	21	48	9
Accelerated depreciation (x)	<b>327</b>	327	-	-	-	-
Minority interests	<b>14</b>	11	3	(2)	(17)	-
<b>(Loss)/profit for financial period – US GAAP</b>	<b>(770)</b>	(669)	(101)	(160)	(41)	230
<b>Basic (loss)/earnings per ADS in accordance with US GAAP</b>	<b>£(2.48)</b>	£(2.16)	£(0.32)	£(0.81)	£(0.21)	£1.16
<b>Diluted (loss)/earnings per ADS in accordance with US GAAP</b>	<b>£(2.48)</b>	£(2.16)	£(0.32)	£(0.81)	£(0.21)	£1.14
Weighted average number of ADSs in issue	<b>311</b>	311	308	198	198	198
Effect of options available under stock-based compensation schemes	<b>-</b>	-	-	-	-	3
Effect of potential conversion of 4.625% bonds (Note 24)	<b>10</b>	10	10	-	-	-
Number of ADSs as basis of calculation of diluted earnings per ADS	<b>321</b>	321	318	198	198	201
				<b>30 Dec 2000 £m</b>	<b>2 Oct 1999 £m</b>	<b>3 Apr 1999 £m</b>
<b>Shareholders' equity</b>						
<b>Shareholders' equity – UK GAAP</b>				<b>3,440</b>	4,174	4,346
Adjustments:						
Goodwill (i)				<b>163</b>	186	193
Purchase consideration (v)				<b>(28)</b>	-	-
Interest costs capitalised (net of depreciation) (ii)				<b>140</b>	147	148
Pension costs (iii)				<b>142</b>	132	137
Stock-based employee compensation awards (iv)				<b>-</b>	(22)	(19)
Deferred taxation (vii)				<b>(159)</b>	(427)	(448)
Investments in equity securities (viii)				<b>-</b>	-	2
Proposed dividend (ix)				<b>-</b>	-	139
Accelerated depreciation (x)				<b>327</b>	-	-
Minority interests				<b>15</b>	1	3
<b>Shareholders' equity in accordance with US GAAP</b>				<b>4,040</b>	4,191	4,501

### Consolidated statement of cash flows

Under UK GAAP, cash flows are classified under operating activities, returns on investments and servicing of finance, tax paid, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing. Under US GAAP, cash flows are classified under operating activities, investing activities and financing activities. Under UK GAAP, cash is defined as cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Under US GAAP, cash and cash equivalents are defined as cash and investments with original maturities of three months or less. The statement below shows the adjustments to be made to the UK GAAP cash flow statement to reclassify the cash flow statement to comply with US GAAP.

	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999	12 months to 28 Mar 1998
	£m	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities in accordance with UK GAAP	100	316	(216)	(100)	437	512
Dividends from joint ventures and associated undertakings	6	5	1	12	12	6
Returns on investments and servicing of finance	(112)	(117)	5	15	27	36
Tax received/(paid)	43	42	1	(16)	(60)	(183)
<b>Net cash provided by/(used in) operating activities in accordance with US GAAP</b>	<b>37</b>	<b>246</b>	<b>(209)</b>	<b>(89)</b>	<b>416</b>	<b>371</b>
Capital expenditure and financial investment	(291)	(216)	(75)	(58)	(179)	(366)
Acquisitions and disposals	(259)	(101)	(158)	(27)	(6)	(25)
Net sale/(purchase) of other short term investments (Note 32)	1	2	(1)	882	(23)	133
<b>Net cash (used in)/provided by investing activities</b>	<b>(549)</b>	<b>(315)</b>	<b>(234)</b>	<b>797</b>	<b>(208)</b>	<b>(258)</b>
Net cash (outflow)/inflow from financing activities	(469)	184	(653)	226	134	(42)
Increase/(decrease) in short term borrowings (Note 32)	6	(70)	76	(2)	(8)	2
Equity dividends paid	(31)	(31)	–	(138)	(201)	(201)
<b>Net cash (used in)/provided by financing activities in accordance with US GAAP</b>	<b>(494)</b>	<b>83</b>	<b>(577)</b>	<b>86</b>	<b>(75)</b>	<b>(241)</b>
<b>Exchange translation effects</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>(9)</b>	<b>6</b>	<b>(8)</b>
<b>Net (decrease)/increase in cash and cash equivalents in accordance with US GAAP</b>	<b>(999)</b>	<b>20</b>	<b>(1,019)</b>	<b>785</b>	<b>139</b>	<b>(136)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,270</b>	<b>251</b>	<b>1,270</b>	<b>485</b>	<b>346</b>	<b>482</b>
<b>Cash and cash equivalents at end of period</b>	<b>271</b>	<b>271</b>	<b>251</b>	<b>1,270</b>	<b>485</b>	<b>346</b>
<b>Cash and cash equivalents are:</b>						
Cash at bank and in hand	231	231	147	141	163	163
Deposits within 3 months of maturity when acquired (Note 16)	40	40	104	1,129	322	183
	<b>271</b>	<b>271</b>	<b>251</b>	<b>1,270</b>	<b>485</b>	<b>346</b>

### United States generally accepted accounting principles

- (i) Goodwill – Until 1998, UK GAAP allowed the write-off of goodwill arising on acquisition direct to retained earnings in the period of acquisition. Negative goodwill was similarly credited direct to shareholders' equity. On disposal of a business, subsidiary undertaking or associated undertaking, any goodwill previously written off or credited to retained earnings on acquisition is written back in assessing the profit or loss on disposal. This was not in accordance with the US practice of amortising acquired goodwill over a period of up to 40 years and applying negative goodwill as a reduction to the net book value of any fixed assets acquired. For the purpose of compliance with US GAAP, goodwill arising on acquisitions prior to 31 Mar 1990 has been amortised over a period of 5 years. Goodwill arising on acquisitions since that date is being amortised over a maximum period of 20 years. Negative goodwill has been treated as a reduction in fixed asset values. The Company periodically assesses the recoverability of unamortised goodwill based on anticipated future earnings.
- (ii) Capitalisation of interest costs relating to the construction of property, plant and equipment – UK GAAP does not require the capitalisation of interest costs incurred in connection with the financing of expenditures for the construction of property, plant and equipment. Such costs are required to be capitalised under US GAAP. For the purpose of compliance with US GAAP the amount of interest that would have been capitalised on construction costs incurred on major capital projects has been determined and depreciated over the lives of the related assets.
- (iii) Pensions – UK GAAP requires the expected cost of providing pension benefits to be expensed so as to spread the cost over the expected average remaining service lives of employees (Note 33). Under US GAAP the annual pension cost comprises the estimated cost of benefits accruing in the period plus/(less) an adjustment where the scheme is in deficit/(surplus) at the time the standard was adopted. The charge is further adjusted to reflect the cost of benefit improvements and any surpluses/deficits which emerge as a result of the actuarial assumptions made not being borne out in practice. For US purposes, only those surpluses/deficits falling outside a 10% fluctuation 'corridor' are being recognised.

**United States generally accepted accounting principles** continued

- (iv) Stock-based employee compensation awards – UK GAAP does not require the recognition of compensation cost under its employee share option schemes where the grant price is the same as the fair value of the shares at the date of the grant. US GAAP requires a fair value based method of accounting for stock-based employee awards for transactions entered into after 15 Dec 1994. For the purpose of compliance with US GAAP the fair value of awards has been estimated using the Black-Scholes option pricing model and the following weighted average assumptions were used: (1) risk free interest rate: 30 Dec 2000: 6.4%; 2 Oct 1999: 5.7%; 3 Apr 1999: no options granted; 28 Mar 1998: 6.7%, (2) expected life: 30 Dec 2000 4 years; 2 Oct 1999: 4 years; 3 Apr 1999: n/a; 28 Mar 1998: 4.6 years, (3) expected volatility: 30 Dec 2000: 35%; 2 Oct 1999: 35%; 3 Apr 1999: n/a; 28 Mar 1998: 35%, (4) dividend yield: 30 Dec 2000: 4.45%; 2 Oct 1999: 4.45%; 3 Apr 1999: n/a; 28 Mar 1998: 4.45%, (5) weighted average fair values of options granted in the period: 30 Dec 2000: £0.30; 2 Oct 1999: £0.39; 3 Apr 1999: n/a; 28 Mar 1998: £0.53.
- (v) Purchase consideration – Under UK GAAP the fair value of the shares offered as consideration for the acquisition of Koninklijke Hoogovens has been determined by reference to the market price of the Group shares on the date the offer became unconditional, 6 Oct 1999. Under US GAAP the fair value of these shares is based on the market price of the shares when the principle terms of the acquisition were announced, 7 Jun 1999. This GAAP difference results in a lower purchase consideration under US GAAP and so the recognised capital issued and goodwill on the Koninklijke Hoogovens acquisition is lower.
- (vi) Rationalisation costs – Until 1998, under UK GAAP, when a decision had been taken to restructure, the necessary provisions were made for rationalisation costs. Under US GAAP, a number of specific criteria have to be met before rationalisation costs can be recognised as an expense. This meant that £14m of rationalisation costs in the period to 28 Mar 1998 could only be recognised under US GAAP in the following period. Following changes to UK GAAP in 1998 the accounting for rationalisation costs is now similar to US GAAP.
- (vii) Deferred taxation – Under UK GAAP, provision is made for deferred income tax only when it is expected that a liability will become payable in the foreseeable future and at the expected future rates of tax. Advance corporation tax is set off against actual or deferred tax liabilities to the maximum allowable amount and any surplus is written off. US GAAP requires full provision for deferred tax to be made on the basis of enacted tax rates at the year end. Tax losses amounting to £336m (2 Oct 1999: £225m; 3 Apr 1999: £219m; 28 Mar 1998: £171m) have not been recognised due to the uncertainty as to their recoverability.
- (viii) Investments in equity securities – Under UK GAAP, equity securities are recorded in the balance sheet at cost. Under US GAAP, such securities are carried at fair (market) value and unrealised holding gains and losses are included as a separate component of equity, net of tax effects, for available-for-sale securities.
- (ix) Proposed dividend – Under UK GAAP, dividends are provided for in the financial statements for the financial year when they are recommended by the Board of directors. Under US GAAP, dividends are only recorded as a liability after they are declared by the Board of directors.
- (x) Accelerated depreciation – Under UK GAAP where an impairment event has occurred the amount by which an asset is impaired is calculated by reference to its value in use. US GAAP requires assets to show an impairment based on an undiscounted cashflow basis before a discounted basis is used to calculate any impairment charge. Certain of the impairments recognised under UK GAAP in the period to 30 Dec 2000 do not meet the undiscounted cashflow test specified under US GAAP. So the current period impairment under US GAAP only totals £263m and relates to the carbon steel assets at Llanwern, Ebbw Vale, Shotton and Bryngwyn. Details of this impairment are given in the 'Review of the period' on page 5.

**Statement of comprehensive income**

The Statement of total recognised gains and losses (page 38) is similar to the Statement of comprehensive income presented in accordance with SFAS No. 130 'Reporting Comprehensive Income'. Under US GAAP, the unrealised holding gains and losses on investments in equity securities (item (viii) of the US GAAP reconciliation on page 74) would be recognised in the Statement of comprehensive income.

**New US accounting standards**

In Jun 1998, the US Financial Accounting Standards Board ('FASB') issued Statement of Financial Accounting Standards No.133 'Accounting for Derivative Instruments and Hedging Activities' which will not be effective for Corus until the year ended 31 Dec 2001. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives). The Company has reviewed the provisions of this standard and has noted that the likely impact on its results and equity will not be material.

In Dec 1999 the Securities and Exchange Commission ('SEC') issued Staff Accounting Bulletin ('SAB') 101, 'Revenue Recognition in Financial Statements', which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The Group adopted SAB 101 in the last quarter of 2000. The impact of adopting SAB 101 on its financial position and results of operations was not material.

**New UK accounting standards not yet effective**

These are discussed in the 'Review of the period' on page 17.

# Five year financial summary

## Profit and loss account

	Periods ended					
	12 months to 30 Mar 1996 £m	12 months to 29 Mar 1997 £m	12 months to 28 Mar 1998 £m	12 months to 3 Apr 1999 £m	6 months to 2 Oct 1999 £m	15 months to 30 Dec 2000 £m
<b>Group turnover</b>						
United Kingdom	3,176	3,111	3,010	2,663	1,119	<b>3,274</b>
Other European	2,671	2,772	2,687	2,532	1,085	<b>6,018</b>
North America	609	673	654	657	327	<b>1,647</b>
Other areas	592	668	596	407	178	<b>759</b>
	<b>7,048</b>	<b>7,224</b>	<b>6,947</b>	<b>6,259</b>	<b>2,709</b>	<b>11,698</b>
<b>Group operating profit/(loss)</b>	941	376	265	(174)	(189)	<b>(1,152)</b>
Share of operating results of joint ventures and associated undertakings	129	15	–	(3)	–	–
<b>Operating profit/(loss)</b>	1,070	391	265	(177)	(189)	<b>(1,152)</b>
Profit on disposal of fixed assets	11	18	11	8	10	<b>5</b>
<b>Profit/(loss) before interest</b>	1,081	409	276	(169)	(179)	<b>(1,147)</b>
Net interest and investment income	21	42	39	27	12	<b>(124)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>	1,102	451	315	(142)	(167)	<b>(1,271)</b>
Taxation	(276)	(144)	(82)	19	8	<b>(8)</b>
Minority interests	(49)	3	(7)	42	(4)	<b>(70)</b>
<b>Profit/(loss) for financial period</b>	777	310	226	(81)	(163)	<b>(1,349)</b>
Dividends	(204)	(204)	(195)	(201)	–	<b>(31)</b>
<b>Profit/(loss) retained for the period</b>	573	106	31	(282)	(163)	<b>(1,380)</b>
<b>Earnings/(loss) per ordinary share in pence</b>	38.28	15.22	11.44	(4.09)	(8.22)	<b>(43.38)</b>
<b>Dividend per ordinary share in pence</b>	10.0	10.0	10.0	10.0	–	<b>1.0</b>
<b>Earnings/(loss) per ADS in £</b>	3.83	1.52	1.14	(0.41)	(0.82)	<b>(4.34)</b>
<b>Dividend per ADS in £</b>	1.00	1.00	1.00	1.00	–	<b>0.10</b>
<b>Amounts in accordance with US GAAP</b>						
Profit/(loss) for financial period	795	414	230	(41)	(160)	<b>(770)</b>
Earnings/(loss) per ADS in £	3.92	2.03	1.16	(0.21)	(0.81)	<b>(2.48)</b>

## Balance sheet

	As at					
	30 Mar 1996 £m	29 Mar 1997 £m	28 Mar 1998 £m	3 Apr 1999 £m	2 Oct 1999 £m	30 Dec 2000 £m
<b>Fixed assets</b>	3,578	3,565	3,647	3,480	3,344	<b>4,093</b>
<b>Current assets</b>	4,565	4,311	4,071	3,691	3,635	<b>4,150</b>
<b>Total assets</b>	8,143	7,876	7,718	7,171	6,979	<b>8,243</b>
<b>Long term borrowings</b>	(534)	(618)	(687)	(825)	(1,036)	<b>(1,766)</b>
<b>Creditors, provisions and minority interests</b>	(2,886)	(2,501)	(2,409)	(2,000)	(1,769)	<b>(3,037)</b>
<b>Shareholders' funds</b>	4,723	4,757	4,622	4,346	4,174	<b>3,440</b>
<b>Shareholders' funds in accordance with US GAAP</b>						
Capital stock	1,018	1,019	991	991	991	<b>1,566</b>
Other reserves	3,794	3,936	3,755	3,510	3,200	<b>2,474</b>
	<b>4,812</b>	<b>4,955</b>	<b>4,746</b>	<b>4,501</b>	<b>4,191</b>	<b>4,040</b>

# Some important data in euros

Corus does not prepare its accounts in euros but has produced the following financial summary for the information of its shareholders.

## Profit and loss account

	Periods ended			
	30 Dec 2000 €m	2 Oct 1999 €m	3 Apr 1999 €m	28 Mar 1998 €m
<b>Group turnover</b>				
United Kingdom	5,322	1,705	3,959	4,234
Other European	9,783	1,653	3,765	3,780
North America	2,677	498	977	920
Other areas	1,234	271	605	838
	<b>19,016</b>	<b>4,127</b>	<b>9,306</b>	<b>9,772</b>
<b>Group operating (loss)/profit</b>	<b>(1,873)</b>	<b>(287)</b>	<b>(259)</b>	<b>373</b>
Share of operating results of joint ventures and associated undertakings	-	-	(4)	-
<b>Operating (loss)/profit</b>	<b>(1,873)</b>	<b>(287)</b>	<b>(263)</b>	<b>373</b>
Profit on disposal of fixed assets	8	15	12	15
<b>(Loss)/profit before interest</b>	<b>(1,865)</b>	<b>(272)</b>	<b>(251)</b>	<b>388</b>
Net interest and investment income	(202)	18	40	55
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(2,067)</b>	<b>(254)</b>	<b>(211)</b>	<b>443</b>
Taxation	(13)	12	28	(115)
Minority interests	(114)	(6)	62	(10)
<b>(Loss)/profit for financial period</b>	<b>(2,194)</b>	<b>(248)</b>	<b>(121)</b>	<b>318</b>
Dividends	(50)	-	(299)	(274)
<b>(Loss)/profit retained for the period</b>	<b>(2,244)</b>	<b>(248)</b>	<b>(420)</b>	<b>44</b>
<b>(Loss)/earnings per ordinary share in euros</b>	<b>(0.71)</b>	<b>(0.13)</b>	<b>(0.06)</b>	<b>0.16</b>
<b>Dividend per ordinary share in euros</b>	<b>0.02</b>	<b>-</b>	<b>0.15</b>	<b>0.14</b>
<b>(Loss)/earnings per ADS in euros</b>	<b>(7.05)</b>	<b>(1.25)</b>	<b>(0.61)</b>	<b>1.61</b>
<b>Dividend per ADS in euros</b>	<b>0.16</b>	<b>-</b>	<b>1.49</b>	<b>1.41</b>
<b>Amounts in accordance with US GAAP</b>				
(Loss)/profit for financial period	(1,252)	(244)	(61)	324
(Loss)/earnings per ADS in euros	(4.03)	(1.23)	(0.31)	1.64

## Balance sheet

	As at			
	30 Dec 2000 €m	2 Oct 1999 €m	3 Apr 1999 €m	28 Mar 1998 €m
<b>Fixed assets</b>	<b>6,512</b>	<b>5,175</b>	<b>5,174</b>	<b>5,131</b>
<b>Current assets</b>	<b>6,603</b>	<b>5,625</b>	<b>5,488</b>	<b>5,727</b>
<b>Total assets</b>	<b>13,115</b>	<b>10,800</b>	<b>10,662</b>	<b>10,858</b>
<b>Long term borrowings</b>	<b>(2,810)</b>	<b>(1,603)</b>	<b>(1,227)</b>	<b>(966)</b>
<b>Creditors, provisions and minority interests</b>	<b>(4,832)</b>	<b>(2,738)</b>	<b>(2,974)</b>	<b>(3,389)</b>
<b>Shareholders' funds</b>	<b>5,473</b>	<b>6,459</b>	<b>6,461</b>	<b>6,503</b>
<b>Shareholders' funds in accordance with US GAAP</b>	<b>6,428</b>	<b>6,486</b>	<b>6,692</b>	<b>6,677</b>

The profit and loss account has been translated at the average rate for the period of €1.6256 (6 months ended 2 Oct 1999: 1.5234; year ended 3 Apr 1999: year end rate of 1.4868; year ended 28 Mar 1998: fixing rate of 1.4068) to £1.00.

The balance sheet has been translated at the period end rate of €1.5911 (2 Oct 1999: 1.5475; 3 Apr 1999: year end rate of 1.4868; 28 Mar 1998: fixing rate of 1.4068) to £1.00.

# Other key data

		Periods ended					
		30 Mar 1996	29 Mar 1997	28 Mar 1998	3 Apr 1999	2 Oct 1999	30 Dec 2000
Capital expenditure	£m	321	413	404	189	55	<b>400</b>
Average number of employees	000s	50	53	50	46	44	<b>65</b>
Turnover per employee	£000s	141	137	139	135	62	<b>180</b>
Employment costs: turnover	%	18.9	19.4	19.4	20.6	22.2	<b>20.6</b>
Liquid steel production	mt	15.6	17.0	17.8	16.7	8.3	<b>20.0</b>
Research and development expenditure (gross)	£m	41	49	52	49	22	<b>113</b>
UK consumption of main finished steel products:	mt						
Within Corus' range		11.5	11.3	11.9	11.5	5.6	<b>14.2</b>
Outside Corus' range		2.3	2.6	2.8	2.8	1.3	<b>3.2</b>
		13.8	13.9	14.7	14.3	6.9	<b>17.4</b>
UK consumption of main finished steel products within Corus' range was met by:	mt						
Corus' deliveries		6.6	6.6	6.8	6.2	3.0	<b>7.8</b>
Other UK steel companies' deliveries		0.7	0.7	0.7	0.6	0.3	<b>0.7</b>
Imports		4.2	4.0	4.4	4.7	2.3	<b>5.7</b>
		11.5	11.3	11.9	11.5	5.6	<b>14.2</b>
Corus' UK market share	%	57	58	57	54	53	<b>55</b>

## Glossary

### Term used in report and accounts

Accounts  
 Advance corporation tax (ACT)  
 Associated undertakings  
 Creditors  
 Creditors: amounts falling due within one year  
 Creditors: amounts falling due after more than one year  
 Debtors: amounts falling due after more than one year  
 Employment costs  
 Finance lease  
 Fixed asset investments  
 Interests in associated undertakings  
 Loans to associated undertakings  
 Other debtors  
 Profit  
 Profit and loss account (statement)  
 Profit and loss account (under 'Capital and reserves' in Balance sheet)  
 Profit on sale of fixed assets  
 Profit for financial year  
 Secured  
 Shareholders' funds  
 Stocks  
 Tangible fixed assets  
 Trade debtors  
 Turnover

### US equivalent or definition

Financial statements  
 Tax payable on company distributions recoverable from UK taxes due on income  
 Equity investees  
 Accounts payable  
 Current liabilities  
 Long term liabilities  
 Other non-current assets  
 Payroll costs  
 Capital lease  
 Non-current investments  
 Securities of related parties  
 Indebtedness of related parties not current  
 Other current assets  
 Income  
 Income statement  
 Retained earnings  
 Gain on disposal of non-current assets  
 Net income  
 Pledged as collateral  
 Shareholders' equity  
 Inventories  
 Property, plant and equipment  
 Accounts receivable (net)  
 Sales

# Analysis of shareholdings at 30 December 2000

<b>By size of holding</b>	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
1 – 100	5,412	3.23	394,930	0.01
101 – 500	70,962	42.34	30,237,618	0.97
501 – 1,000	49,397	29.47	42,918,930	1.37
1,001 – 5,000	35,143	20.97	75,662,442	2.42
5,001 – 10,000	3,743	2.23	27,386,330	0.88
10,001 – 50,000	1,951	1.16	38,008,210	1.22
50,001 – 100,000	199	0.12	14,245,864	0.46
100,001 – 1,000,000	556	0.33	197,937,029	6.34
1,000,001 – Highest	255	0.15	2,694,312,912	86.33
	<b>167,618</b>	<b>100.00</b>	<b>3,121,104,265</b>	<b>100.00</b>

<b>By category of shareholder</b>	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
Male	95,469	56.96	123,879,627	3.97
Female	52,895	31.56	56,357,994	1.81
Joint Account	15,319	9.14	17,976,929	0.58
Bank	5	0.00	2,587,449	0.08
Nominee Company	3,332	1.99	2,519,800,731	80.73
Insurance Company	4	0.00	24,554,492	0.79
Pension Fund	18	0.01	7,356,581	0.24
Other Limited Company	442	0.26	360,931,080	11.56
Other Corporate Body	129	0.08	7,498,271	0.24
Public Limited Company	5	0.00	161,111	0.00
	<b>167,618</b>	<b>100.00</b>	<b>3,121,104,265</b>	<b>100.00</b>

# Information for shareholders

## General enquiries

For enquiries on all matters not covered below or if you would like copies of the Environmental Brochures please contact:

## UK

The Secretary's Office  
Corus Group plc  
15 Great Marlborough Street  
London W1F 7AS  
FREEPHONE 0800 484113

Registered in England No. 3811373

or

## Netherlands

Secretariat Department  
Corus Group plc  
PO Box 10.000  
1970 CA IJmuiden  
The Netherlands  
Telephone: +31 (0)251 49 19 52

## American Depositary Receipts (ADRs)

Corus' ordinary shares are listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs), evidenced by ADRs, and trade under ticker symbol CGA.

Each ADS is equivalent to 10 ordinary shares. Enquiries regarding ADR holders' accounts and payment of dividends should be directed to the Depositary:

The Bank of New York  
ADR Department  
101 Barclay Street  
New York NY 10286  
Telephone:

US Holders: +1 (888) 269 2377  
Canadian Holders: +1 (908) 769 9835  
or: +1 (908) 769 9711

## Dividend payments to ADR holders

The interim dividend paid for 2000 was made by the Depositary, in US dollars on 23 October 2000 to the ADR holders on record on 15 September 2000. There is no UK withholding tax on dividends. The position relating to dividends paid after 5 April 1999 is that no advance corporation tax is payable and individual shareholders tax resident in the UK are entitled to a tax credit in respect of each dividend, equal to one ninth of the net dividend. USA resident shareholders are

generally entitled to the same credit to which a UK individual shareholder is entitled. However, the imposition of UK withholding tax on the credit in effect cancels out the credit, therefore no payment of this credit may be obtained from the UK Inland Revenue.

## Voting at the Annual General Meeting

The 2001 Annual General Meeting of shareholders takes place in London on 27 April 2001. ADR holders may instruct The Bank of New York as to how the ordinary shares represented by their ADRs should be voted by completing and returning the voting card in accordance with the instructions printed thereon.

## Form 20-F

The Company is subject to the reporting requirements of the US Securities and Exchange Commission ('SEC'). In compliance with these regulations, the Company will file its Annual Report on Form 20-F with the SEC in March 2001. Copies may be obtained from The Bank of New York or the Secretary's Office.

## Holders of ordinary shares

Administrative enquiries concerning shareholdings, such as dividend payments, notification of change of address or the loss of a share certificate should be addressed to:

Corus Group Section  
Lloyds TSB Registrars  
The Causeway, Worthing  
West Sussex  
BN99 6DA  
Telephone: 0870 600 3961

## Dividend mandate

Shareholders who do not currently have their dividends paid directly to a bank or building society account and who wish to do so should complete a mandate form obtainable from the Registrar, as above. Tax vouchers are sent to the shareholders registered address under this arrangement, unless requested otherwise.

## Share price information

The latest Corus share price is available from the Financial Times Cityline Service.

Telephone: 0336 433311

## Website

The Corus website address is [www.corusgroup.com](http://www.corusgroup.com)

## Financial calendar

Annual General Meeting:  
27 April 2001

Interim results announced  
for 6 months to 30 June 2001:  
4 September 2001