



Report & Accounts **2002**

Contents

2	Chairman's statement
4	Review of the period
22	Financial review
25	Directors' report
30	The Executive committee
32	The Board
34	Report on remuneration
43	Statement of directors' responsibilities in relation to financial statements
44	Independent auditors' report to the members of Corus Group plc
46	Consolidated profit and loss account
47	Balance sheets
48	Statement of total recognised gains and losses and Reconciliation of movements in shareholders' funds
49	Consolidated cash flow statement
50	Reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds and Analysis of net borrowings
51	Presentation of accounts and accounting policies
54	Notes to the accounts
93	Supplementary information for North American investors
99	Five year financial summary
100	Some important data in euros
101	Other key data
102	Analysis of shareholdings at 28 December 2002
103	Glossary
104	Information for shareholders

Chairman's statement

The underlying results for the Group for the year were marginally below the level of the previous year with a Group operating loss of £393m (2001: £377m), before taking into account exceptional items of £53m (2001: £8m). The net loss after tax and minority interests for the year amounted to £458m and, in the light of this result, the Board has decided not to recommend the payment of a dividend in respect of 2002.

While further progress was made in securing improvements in operational performance and efficiency, the absence of any real global economic recovery was the major factor which led to the poor results for the year. The trend through 2002 saw prices in Europe, Corus' major market, fall sharply during the first quarter prior to some modest recovery in the second quarter and, subsequently, further increases during the second half. As a result, for the second half year the Group incurred an operating loss of £141m, before exceptional items, as compared with £252m in the first half, with an improvement of £124m in carbon steel being partially offset by a fall of £13m in the operating profit of aluminium.

At the end of the year, net debt amounted to £1,236m and gearing was reduced to 46%. Net proceeds from acquisitions and disposals amounted to £445m while ongoing cash flow demands amounted to £121m, giving a reduction in net debt of £324m in the year.

The year under review for Corus also proved to be very difficult and frustrating in other respects. The implementation of the Group's strategy of focusing on its carbon steel operations began with the disposal of our stainless steel interests in AvestaPolarit, the completion of the sale of our 20% interest in the aluminium business of Aluminerie Alouette and progressing the sale of the Group's remaining aluminium assets. There were also a number of smaller transactions including the acquisition of two downstream carbon steel operations, one in Sweden and the other in the UK. However, and despite the strong strategic rationale, discussions regarding the proposed merger between Corus and CSN in Brazil, announced in July, regrettably had to be terminated in November due to the deterioration of, and ongoing uncertainties in, the global business environment and financial markets.

The sale of our aluminium rolled products and extrusions businesses to Pechiney was agreed in principle in October for approximately £543m. The businesses are owned by Corus Nederland BV, and the sale was, inter alia, subject to the approval of that company's Supervisory Board. In the event and despite the recommendation of the Management Board of Corus Nederland BV, the Supervisory Board was not willing to give its approval. Following an unsuccessful petition to the Court in Amsterdam for that decision to be set aside, the sale will not take place.

The decision of the Supervisory Board to reject the sale of the aluminium businesses was taken in the face of detailed proposals by Corus Group to meet the legitimate concerns that the Supervisory Board had expressed for the consequences of that sale for Corus Nederland BV. The Board views this outcome as extremely disappointing and is reviewing the implications of it on its carbon steel strategy and related funding plans.

The carbon steel strategy is focused on eliminating the Group's losses which continue to emanate from the UK despite the steps that have been undertaken in recent years to reduce

capacity and improve competitiveness. Unfortunately the progressive decline in UK manufacturing, coupled with the strength of sterling and increased penetration from steel imports, has undermined these initiatives. It is clear, however, that Corus' UK losses have got to be reversed and this will inevitably lead to significant further capacity reductions and concentration of operations onto fewer sites. A review by the Board is currently in progress and an announcement will be made on its findings as soon as possible.

The proceeds of the aluminium sale would have provided the capacity to finance the measures needed to reduce capacity in the UK but, with the sale no longer proceeding, the Group will need to look afresh for finance from equity and debt providers, and from the sale of non-core assets. The timing and extent of further actions to be taken will be largely dependent upon the availability of such further financing. Discussions in respect to an extension of the existing banking facilities due to expire at the end of January 2004 were being pursued as part of the aluminium disposal process, and discussions also were taking place to replace these facilities for the medium term. As the sale is not proceeding, priority will now be given

to agreeing a new three year facility from January 2004. The funding plans for the Group going forward are, therefore, an essential part of the current Board review.

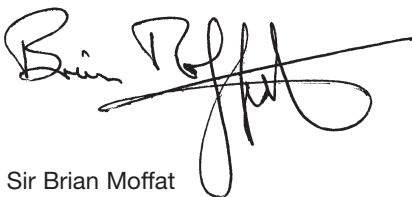
The Group faces the challenges of 2003 with a much more stable plant configuration following the resumption in January of a two blast furnace operation at Port Talbot, and there are no planned blast furnace outages. As to the market scene, the year has started as expected with subdued demand in the UK and flat demand in mainland Europe. However, despite this situation prices have improved for flat and long products, and the recent weakening of sterling against the Euro should bring some benefits in the UK.

The last eighteen months has seen a significant erosion of global equity prices. The market value of Corus, however, has been further eroded by the continuing loss making situation and refinancing concerns together with the difficulties encountered with the proposed merger with CSN and with the divestment of our aluminium business as outlined above. The Board and management are very conscious and concerned about this situation and are determined to take the necessary action to restore market confidence.

I am pleased to inform you that in April 2002 Dr Anthony Hayward joined the Board as a non-executive director. Dr Hayward is a main Board director of BP plc in charge of exploration and production. In the same month Mr Jim Leng who joined the Board in 2001 was appointed Deputy Chairman and senior non-executive director.

As has been announced already, in the light of the Company's performance, the Board, including Mr A P Pedder, Chief Executive, concluded that a change of leadership was required. Mr Pedder tendered his resignation which was accepted with effect from 13 March 2003. The procedure for the recruitment of a new Chief Executive is underway.

Mr Stuart Pettifor, a main Board executive director, has been appointed Chief Operating Officer and will take responsibility for all operational matters. At the request of the Board I have agreed to defer my planned retirement and will now be full time Chairman until my successor is appointed.



Sir Brian Moffat

Review of the period

The business, its objectives and strategy

Corus was formed in October 1999 by the merger of the British Steel Group and the Hoogovens Group. It is the seventh largest steel producer in the world and the fifth largest producer of rolled and extruded aluminium products combined. Europe, principally the EU, is the most important market for Corus for both its steel and aluminium products, accounting for 80% of total turnover in 2002. Steel accounted for 87% of total turnover in the same period.

The Group produces steel by the basic oxygen steelmaking method at three integrated steelworks in the UK at Port Talbot, Scunthorpe and Teesside, and at one in the Netherlands at IJmuiden. Steel is also produced using the electric arc furnace method at two steelworks in the UK at Rotherham and Stocksbridge, and at one in the USA at Tuscaloosa. A number of the Group's rolling mills and process lines are on the same sites as the steelworks, but the majority of operating sites do not have steelmaking facilities.

Corus produces primary aluminium in two smelters at Delfzijl in the Netherlands and Voerde in Germany. Aluminium rolling mills are located at Koblenz in Germany, Duffel in Belgium and Cap-de-la-Madeleine in Canada (60% owned). Aluminium extrusions operations are at three locations in Germany, one in Belgium and one in China (61% owned).

Corus has sales offices, stockholders and related parties in a number of markets for distribution and further processing. There is an extensive network in the EU, supported by various agency agreements. Outside

the EU, Corus has an international marketing organisation with sales offices in over twenty countries supported by a world-wide trading network and a number of processing and service centres.

In 2002, about 60% of Corus crude steel production (excluding Tuscaloosa) was rolled into hot rolled coil. Most of the remainder was further processed into sections, plates, engineering steels or wire rod, or sold in semi-finished form. Some 35% of hot rolled coil was sold without further processing, approximately 50% was further processed in cold rolling mills and the remainder was transferred to Corus tube mills for the manufacture of welded tubes. Principal markets for the Group's steel products are the construction, automotive, packaging, mechanical and electrical engineering, metal goods, and oil and gas industries.

For aluminium, Corus is focused on customer specific products and has a low level of activity in the production of standard type products. Following the sale of the Group's interest in Aluminerie Alouette, the production of own primary metal covered approximately 40% of the needs of the rolled and extruded products business. Principal products and markets of the Group's aluminium rolled products business are aircraft plate, commercial plate for the transport and engineering sectors, and clad sheet and fins for the heat exchanger market (mainly automotive). The Group's aluminium extrusions business produces speciality rods and hard alloy extrusions (mainly automotive), extrusions for the engineering and leisure industries, large extrusions for the railcoach and other transport

industries, and industrial extrusions for the construction, transport and engineering industries.

Until July 2002, the EU steel industry was regulated by the rules of the ECSC, established in 1952 by the Treaty of Paris, and by the general rules of the European Commission (EC), established in 1958 by the Treaty of Rome. Following the expiry of the Treaty of Paris in July 2002, all steel products became subject to the Treaty of Rome, which is of indefinite duration. The EC is responsible for implementing the objectives of the Treaties.

Corus has a strategy focused around carbon steel, with the intention of:

- ensuring that its European upstream steelmaking facilities are optimised by resolving the uncompetitive position of the facilities in the UK and securing a leading position for its IJmuiden site.
- pursuing selective growth of downstream businesses.
- identifying low cost steelmaking sourcing or ownership options, notably in developing markets.

Pursuit of this strategy has been constrained by the unexpectedly difficult economic environment faced since 2001.

Group financial results

Following the merger between British Steel and Hoogovens in October 1999, the year-end of the new Group was changed to December, in line with other companies in the industry. The first December year-end occurred

	2002	2001	Fifteen month period	2000
Turnover (£m)				
UK	2,071	2,291	3,274	2,635
Rest of Europe	3,658	3,899	6,018	4,924
Rest of World	1,459	1,509	2,406	1,950
	7,188	7,699	11,698	9,509
Operating costs (£m)	7,634	8,084	12,854	10,542
Operating results (£m)	(446)	(385)	(1,156)	(1,033)
Deliveries (mt)				
Carbon steel	16.6	16.9	23.1	18.5
Stainless steel	–	–	1.2	0.9
Aluminium	0.6	0.6	0.7	0.6
	17.2	17.5	25.0	20.0

in December 2000, at the end of the fifteen month period beginning in October 1999.

The de-consolidation of Avesta Sheffield with effect from 22 January 2001 distorts comparisons between 2001 and 2000, and between 2002 and 2001.

Performance in the period Summary

Total Group turnover for the period was £7,188m (2001: £7,699m; 2000: £9,509m). Excluding the turnover of Avesta Sheffield in the comparative period of £80m, this was a reduction of 6% from 2001. This was due to a reduction in sales volumes in the carbon steel segment, particularly through distribution and further processing, and lower aluminium

segment turnover linked to a decrease in LME (London Metal Exchange) prices for aluminium and lower primary aluminium deliveries.

Average revenue per tonne for the period of £332 was 1% lower than 2001 excluding stainless steel. However, the reduction was entirely related to the aluminium segment, which was affected by the fall in LME prices, with average revenue in the carbon steel segment showing little change. Turnover increased during the second half of 2002 as prices for carbon steel rose, totalling £3,612m in comparison with £3,576m in the first half.

The reduction in year on year turnover in 2002 followed a similar fall in 2001, which was 5% lower than 2000

excluding the effect of Avesta Sheffield, reflecting reductions in prices and sales volumes in the carbon steel segment of 2% and 9% respectively, partially offset by an increase of 6% in aluminium turnover.

Turnover for the fifteen month period was £11,698m with prices and sales volumes recovering in all segments in the first half of 2000. Turnover decreased in the second half of 2000 as a result of reduced sales volumes, particularly in the carbon steel segment.

As shown in the table above, the Group operating loss for 2002 was £446m (2001: £385m; 2000: £1,033m). The loss in the first half amounted to £207m, increasing to £239m in the second half. However, exceptional items in the operating result amounted to a net credit of £45m in the first half and a net charge of £98m in the second half. Excluding exceptional items the loss in the first half amounted to £252m, reducing to £141m in the second half, with a marked reduction in the loss arising in the carbon steel segment as European prices improved from their trough in the first quarter of 2002. The exceptional items in the first half mainly related to changes in cost estimates following the renegotiation and reappraisal of obligations for environmental and contractual liabilities for site closures, and for manpower productivity and restructuring programmes previously announced. In the second half the charge included accelerated depreciation of £89m to recognise an impairment to the value in use of fixed assets arising from the continuing losses and an impairment of goodwill of £20m in respect of the Group's investment in Kienle & Spiess.

For ease of understanding this review focuses on relevant twelve month periods and therefore uses the figures for 2000, which are unaudited. The following terms are used throughout the review with the meaning shown in the definition given:

2002	12 months to 28 December 2002 (audited)
2001	12 months to 29 December 2001 (audited)
2000	12 months to 30 December 2000 (unaudited)
fifteen month period	15 months to 30 December 2000 (audited)

The operating loss in 2001 was £385m and in 2002 was £446m. However, the underlying operating loss before exceptional items and stainless steel was £380m in 2001 and £393m in 2002. This underlying increase was largely attributable to the aluminium segment, where operating profit was reduced by £27m due primarily to the lower LME price for aluminium, and increases in energy and employment costs. On the same basis, the carbon steel segment improved however by £14m as a reduction of 5% in turnover was offset by benefits of restructuring and ongoing efficiency programmes.

Operating losses for 2001 and 2000 included net charges of £8m and £1,018m respectively in connection with items of an exceptional nature, these being predominantly provisions for redundancy and related costs, accelerated depreciation and other rationalisation costs. Excluding exceptional items and the effect of Avesta Sheffield, operating losses increased from £155m in 2000 to £380m in 2001. This underlying increase in the operating loss was due to the reduction in turnover through price and sales volume falls in the carbon steel segment. There was also an increase in raw material and consumable costs of 1% in spite of the volume reduction, with tightening supply in the coal market having a marked adverse effect. Other costs reduced with ongoing efficiency measures.

The operating loss for the fifteen month period was £1,156m, with provisions totalling £1,033m being the main contributory factor.

Operating costs in 2002 were £7,634m (2001: £8,084m; 2000: £10,542m) and included a net charge of £53m in respect of items of an exceptional nature (2001: £8m; 2000: £1,018m) and transaction costs of £23m, principally in respect of the intended aluminium sale and the terminated merger with CSN. The composition of the net charge in 2002 is explained above. Excluding exceptional items, operating costs reduced by 6% overall with carbon steel segment costs 5% lower in line with turnover and aluminium segment costs 10% lower compared with a turnover fall of 12%. As indicated above, aluminium costs were affected by increased energy and employment costs, the former affected by environmental levies.

In 2001, the net charge in respect of items of an exceptional nature consisted of a provision of £69m for redundancy and other rationalisation costs resulting from job losses announced on 1 February 2001 as part of cost reduction measures, and a release of provisions of £61m relating to prior year manpower reduction programmes and asset write downs after reappraisal of obligations and asset utilisation.

During the fifteen month period Corus undertook a strategic review of its UK carbon steel activities and restructuring measures were also announced on 1 February 2001. Provision for this restructuring was made in the fifteen month period, giving rise to total exceptional items of £1,033m, of which £1,018m was provided in 2000. Of the total, redundancy and related costs amounted to £202m, accelerated

depreciation to recognise impairment to the value in use of fixed assets at those sites affected by reductions in operating capacity amounted to £590m, other fixed assets and investments were written off amounting to £111m, and there were other rationalisation costs of £130m.

On 8 November 2001 an explosion occurred in no. 5 blast furnace at Port Talbot, regrettably killing three employees and injuring others. The explosion made the furnace inoperable and plans were announced on 16 January 2002 to rebuild it at an estimated cost of £75m. The rebuild and the consequential losses associated with the furnace being out of operation are the subject of an insurance claim. The operating costs for 2001 were not materially affected by the incident but, in 2002, significant additional costs have been incurred, particularly in purchasing slab as a substitute for output lost from the furnace. These costs have been in part offset by insurance settlements agreed to date. The rebuilt furnace was relit on 2 January 2003 and formally opened by HRH The Prince of Wales on 3 February 2003.

With effect from 22 January 2001 the stainless steel business Avesta Sheffield ceased to be a subsidiary of Corus and, from the same date, AvestaPolarit became an associated undertaking. The Corus share in AvestaPolarit was subsequently sold to Outokumpu on 1 July 2002. Consequently, in 2001 the share of results of joint ventures and associated undertakings increased sharply prior to falling in the second half of 2002 following the disposal of AvestaPolarit.

The Corus share of results of joint ventures and associated undertakings amounted to a profit of £21m for the period (2001: £12m; 2000: £2m). The share of results in the fifteen month period was £nil.

The profit on the disposal of fixed assets and of businesses, subsidiaries and associated undertakings amounted to £115m for the period (2001: £19m; 2000: £2m). The sale of the Corus share in AvestaPolarit resulted in a loss on disposal of £48m, including a goodwill transfer from reserves of £33m. Corus also sold its 20% interest in the Aluminerie Alouette aluminium smelter as part of the planned programme of disposal of its aluminium businesses in 2002, resulting in a profit on disposal of £60m. There was a profit of £96m on the disposal of fixed assets, which included £65m in respect of the ongoing insurance settlement related to the rebuilding of the Port Talbot no. 5 blast furnace. The profit on sale and disposal in the fifteen month period was £5m.

The Group's net interest payable in 2002 of £92m (2001: £103m; 2000: £100m) reflected the net debt of £1,236m at 28 December 2002 (2001: £1,560m; 2000: £1,676m). The interest reduction in 2002 was due to reduction in the amount of net debt with the proceeds from the sales of AvestaPolarit and Aluminerie Alouette, as well as the debtor securitisation programme put in place. The reduction in net debt during 2001 was attributable to the deconsolidation of Avesta Sheffield, excluding which there was an increase of £29m. The Group's net interest for the period comprised interest earned of £17m on

average deposits and loans of £178m less interest incurred of £109m on average borrowings and leases of £1,759m. The net interest payable in the fifteen month period was £118m.

After net interest and the Group's share of the results of joint ventures and associated undertakings, there was a loss before tax for the period of £404m (2001: £462m; 2000: £1,135m) and the loss per share was 14.65p (2001: 13.42p; 2000: 30.19p). The loss before tax for the fifteen month period was £1,275m, giving a loss per share of 33.50p.

Capital expenditure amounted to £188m (2001: £166m; 2000: £308m) and included the expenditure on the Port Talbot no. 5 blast furnace referred to above, which accounted for the increase from 2001. The reduction between 2000 and 2001 reflected the deconsolidation of Avesta Sheffield and the completion of several major schemes in 2000, including the direct sheet plant in IJmuiden. The UK accounted for 43%, the Netherlands 33%, the rest of Europe 20% and North America 4% of capital expenditure. Capital expenditure is met by cash flow provided by operating activities, cash balances and borrowing facilities. The equivalent figure for the fifteen month period was £400m.

Carbon steel

Turnover, deliveries and prices

Turnover for the period was £6,231m compared with £6,534m in 2001. The reduction was due to a decrease in sales volumes of carbon steel products of 2% and a fall in distribution and further processing of 15%. Average revenue per tonne was

£285 compared with £284 in 2001. Turnover in the first half of £3,076m compared to £3,155m in the second half, mainly reflecting an increase of 3% in average revenue as prices rose from their trough in the first quarter of 2002 and an increase in distribution and further processing of 8%. These increases were partially offset by 2% lower deliveries in the second half, which was affected by the preponderance of holiday shutdown periods in the late Summer and over Christmas.

The reduction in turnover between 2000 and 2001 from £7,016m to £6,534m was due to a decrease in average revenue and in sales volume of 2% and 9% respectively, partially offset by an increase in distribution and further processing.

Turnover for the fifteen month period was £8,725m.

UK market

UK market demand fell in 2002. Whilst demand from the construction sector grew in spite of the decline in industrial building, demand from other sectors declined significantly due to the steep fall in manufacturing brought about by the weak global economy and the strength of sterling.

Corus deliveries to the UK market totalled 5.9mt, of which 5.4mt were in the Group's main carbon and engineering steel finished products. Deliveries in the first half were 3.0mt, reducing slightly to 2.9mt in the second half, reflecting the continuing difficult market conditions and holiday shutdown periods. The total for 2002 compared with 6.1mt in 2001. Estimated demand for the Group's

main carbon and engineering steel finished products at 10.7mt fell by 2% in 2002, having also fallen by 5% in 2001. The Group's UK market share in 2002 remained unchanged at 50% (2001: 50%; 2000: 55%), although there was an improving trend through the year with market share at 52% in the second half. Market share in the fifteen month period was 55%.

Other European markets

There has been no growth in demand from the EU steel consuming industries in 2002, with most sectors seeing declining output through the year. In addition, there were indications of significant downward adjustment in stocks by customers throughout the year and so steel demand fell by about 1.5%. However, against this background, supply remained in line with demand thus allowing some recovery in market prices in 2002. With some tentative signs of recovery in steel demand, the supply/demand balance was on an improving trend by the year end.

Deliveries in and to mainland Europe amounted to 8.1mt in the period, representing an increase of 2% from 2001, in spite of the reduction in demand. Deliveries in the first half were 4.1mt, falling slightly to 4.0mt in the second half.

Deliveries were 8.0mt in 2001; 9% down on 2000 levels partially reflecting a planned reduction in exports from the UK to mainland Europe identified at the time of the restructuring announcement, but also the fall in demand.

Other markets

The USA saw a modest recovery in demand through the first three quarters of 2002. In March 2002, Section 201 Safeguard measures were implemented (see 'Global steel market') and this action had the effect of restricting the supply of imports. Market prices subsequently rose sharply and, in doing so, encouraged new capacity start-ups and idled capacity restarts towards the end of the year, just as demand was weakening with the faltering recovery in the US economy. The supply/demand balance in this region consequently deteriorated towards the year end.

In Japan, domestic demand has been persistently weak. However, a growing export market, particularly in China and other Asian markets, resulted in an increase of 5% in Japanese steel production. China, and to a lesser extent the rest of the Far East, presents a much more positive picture. This country has seen continued strong growth in 2002, with GDP growing by 8%, largely fuelled by the construction sector. Although Chinese steel capacity and production is expanding at a similar rate to demand, a favourable supply/demand balance remains. Demand is sufficient to draw in some imports and suppress exports to other regions, helping the overall global supply/demand to remain relatively balanced.

Deliveries to markets outside Europe amounted to 2.6mt in the period, reduced from 2.8mt in 2001, reflecting the above factors. Deliveries in the first half were 1.3mt and remained unchanged in the second half.

Deliveries were 2.8mt in 2001; 6% down on 2000 levels reflecting the slowdown in demand and the planned reduction in exports from the UK referred to above.

Prices

Average revenue per tonne for the period amounted to £285 compared with £284 in 2001 following a reduction of 1% in 2001 compared with 2000. Average revenue in the first half amounted to £282 per tonne compared with £289 per tonne in the second half; the latter period benefiting from rising prices.

World market prices for steel products fell through 2001 to reach a trough around the end of the year and into the first quarter of 2002. This reflected a substantial weakening of steel demand in most of the world's markets. Although world steel demand in total grew by 2% in 2001, this was due to a 23% surge in Chinese demand, largely met by an increase in their domestic production. Outside China, steel demand fell by 2.5%. Falling demand and falling prices pushed many steel producers into loss. The reaction was to cut production and close some surplus capacity that had emerged. As a result, although steel demand in 2002 hardly recovered outside China, which again grew by more than 20%, spot market prices began to recover. In the case of the USA, this price recovery was accentuated by the restrictions on imports imposed through the Section 201 Safeguard measures. All regions saw a significant improvement in market prices for steel products, although in the EU prices have so far failed to recover to the levels seen in

the previous peak. Spot EU prices increased by 20% from the trough levels, whilst the corresponding increase in the USA was 30% and in developing Asian markets 40%.

The extreme volatility in spot market prices is not, however, fully reflected in average revenues. The impact is diluted and lagged as a result of factors such as long term contracts, order backlogs, and the more stable pricing of quality extras and added value services. Nevertheless, world steel industry profitability showed improvement through 2002.

Continuation of the price improvement into 2003 will require recovery in steel demand. Although there are tentative signs of recovery, markets throughout the developed world remain weak. US prices have begun to fall back, in spite of continuing tariffs on imports, since the price levels achieved by the end of 2002 were sufficient to attract increased supply both from domestic producers and imports. Without growth in demand to absorb this increased supply, price weakness will continue. In the EU, prices continue to increase and are not yet sufficiently high to attract substantial increases in supply, but further increases may require some growth in demand in main European markets. Recovery in demand in North America and Europe in the latter part of 2003 will be more likely if there is a speedy resolution to the Iraq situation.

The average spot sterling to euro exchange rate during the period was €1.59 (2001: €1.61; 2000: €1.64) and represents a strengthening of sterling of 26% since 1996/97 and of 8% since 1999.

Operating costs

Operating costs for the period were £6,698m, which was 4% lower than in the previous year in spite of a high level of transaction costs in the period, and 5% lower before exceptional items. The reduction in operating costs was in line with the reduction in turnover and greater than the reduction in volume, reflecting the benefits of the restructuring programme in the UK and other ongoing efficiency measures. In particular, employment costs were reduced by 4% compared with 2001, in spite of wage rises in non-UK operations and depreciation fell by 9% following asset write downs and constrained capital expenditure.

As stated in the 'Summary' on page 6, following the explosion at Port Talbot, the rebuild and the consequential losses associated with the furnace being out of operation are the subject of an insurance claim. The operating costs for 2002 were affected by the consequences of the explosion and included the cost of buying replacement slab, additional costs of processing bought in rather than manufactured slab, and additional costs of increasing throughput based on the remaining furnace at Port Talbot. In addition, the business suffered lost contribution during the period in which external slab supplies were being established, through delayed Russian supplies and from increased second choice material associated with purchased slab. These costs are largely covered by the insurance claim previously mentioned.

The principal raw materials in the carbon and engineering steelmaking process are iron ore and coal, purchased on international markets, and steel scrap. In the period, Corus imported approximately 22mt of iron ore and 10mt of coal, all through the four deep-water terminals servicing its integrated steelworks. Iron ore is imported principally from Australia, South America, Canada and South Africa. Coal, for conversion into coke and direct injection into blast furnaces, is imported predominantly from Australia, Canada and the USA. Corus bought all of its UK scrap requirements of some 0.9mt over the period in the UK, and some 0.6mt for its Dutch integrated plant predominantly from mainland Europe.

A networked supplies organisation, embedded in the businesses of the Group, continues to deliver benefits throughout Corus through a single face approach to the various procurement markets.

Dynamics of the business

In the period, European markets accounted for 83% of carbon steel products turnover of which the UK amounted to 35%. 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 and the 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 the financial performance of Corus. These issues are considered below.

Economic climate

In 2002, global economic growth picked up slightly from just over 2% to around 2.5%. Consequently, growth remained well below trend for the second consecutive year. Most economies in the developed world recovered from the post 11 September 2001 shock in the first half of the year, but failed to maintain momentum towards the end of 2002 as the effects of the steep declines in the stock market were felt. In particular business investment declined considerably in most countries.

In the USA, economic growth was erratic and amounted to 2.4% for the year as a whole. Developments in Europe were particularly disappointing; after some recovery from the trough reached in the final quarter of 2001, the economy expanded only marginally through 2002. As a result, economic growth decelerated further to below 1%, with the UK also decelerating slightly to 1.7%. The economy remained driven by private and public consumption. In contrast, exports and especially investment declined significantly due to the further erosion of profitability in the corporate sector.

In the emerging world, the eastern European economies slowed down due to weaker demand from western Europe, and Latin America suffered from country specific problems and economic activity declined slightly. The only bright spot in the global economy was Asia which saw

economic growth in most economies accelerate markedly.

Exchange rates

Exchange rates remain very important to the competitiveness and results of Corus, in particular the value of sterling against the euro. With 83% of carbon steel products turnover accounted for by sales in Europe, this exchange rate 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 Group'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.

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 well developed international trade in steel that facilitates rapid changes in trading

levels, leading to an equally rapid movement in price levels.

The global steel demand picture is polarised between stagnant markets in Europe, North America and Japan, and growing markets elsewhere in the Far East. In the world, excluding the latter region, demand remained largely flat through 2002, having reached a trough at the end of 2001. In regions of static demand, production restraint and, in the case of North America, idling of plant associated with a number of domestic producers entering Chapter 11, has combined with demand in China to help the global supply and demand move to a more balanced position. This has allowed the oversupply situation that developed in 2001 to be partially corrected.

Clearly the global picture is heavily influenced by China. Chinese production was reported to have increased in 2002 by 31mt (20%) from the level in 2001, with demand increasing at a similar rate. These figures may include an element of double counting and accumulation of stocks and, hence, may overstate the real strength of the market. Consequently the following analysis excludes Chinese production, capacity and demand.

Effective world steel capacity fell by 15mt in 2002 to 831mt. Crude steel production rose by 22mt and thus utilisation of effective capacity improved from 82% to 87%. Corus estimates that there is an excess of around 111mt of effective overall industry capacity, of which around 11mt is in the EU, compared with an estimated 14mt in 2001. The

improvements in the utilisation of capacity were supportive of steel price increases in most regions through the year.

In July 2001, the US Administration launched a Section 201 Safeguard investigation against steel imports. As a result of this investigation, in March 2002 the US President announced his decision to impose a range of tariffs of between 8% and 30% on US imports of a number of steel products, and a system of quotas and tariffs on slab products. Imports from most developing countries were exempted from the measures. These restrictions are due to remain in force for three years. A mid-term review of the Section 201 measures is set to be concluded by September 2003.

The US authorities implemented an exclusions process to enable suppliers and their US customers to seek exclusions from the Section 201 measures for material unable to be adequately sourced from domestic US sources. Corus participated in this process, supported by the UK and Netherlands governments, and the European Commission. The process was formally closed in August 2002, by which time Corus (or its customers) had secured exclusions equating to approximately 30% of Corus' US sales originally subject to the Section 201 measures. A further exclusions process commenced in November 2002 and Corus is seeking to secure further product exclusions.

The sharp price rises that have been experienced in some product areas in the USA have helped to mitigate the effects of the additional duties.

Major capital projects

Completed in the period	Capital cost £m	Completion date
Scunthorpe – bloom caster enhancement	7	Apr 02
IJmuiden – reline no. 6 blast furnace	38	May 02
IJmuiden – relocation of double reduction mill	7	Jul 02
Trostre – reconfiguration of electrolytic tinning line	9	Jul 02
In progress at end December 2002		
IJmuiden – refurbish slabyard cranes and track	6	Mar 03
Port Talbot – rebuild no. 5 blast furnace	65	Jan 03
Port Talbot – cold mill link remotoring stands	6	Aug 03
IJmuiden – reline of no. 7 blast furnace	55	Dec 05

In combination with products not subject to Section 201 and the additional product exclusions secured, this means that the Section 201 measures have to date had only a generally limited impact on Corus sales to the USA.

The European Commission, together with Japan and a number of other countries, has initiated a complaint in respect of the Section 201 measures through the World Trade Organisation, which is due to release their initial findings in April 2003.

To ensure that the European steel market did not suffer from material displaced from the USA due to Section 201 measures, the European Commission launched its own safeguards investigation in March 2002. This action has ensured that the EU market has remained open, but has prevented any import surge.

A number of other countries have also started safeguards investigation and/or imposed measures. Underlying these trade disputes has been the need to tackle the root causes of the problems of the world steel industry, which are generally considered to be excess inefficient capacity and

subsidies. An initiative launched through the OECD to tackle such problems has been a positive development and received industry support, but progress has been slow to date.

Investment

Capital expenditure in 2002 amounted to £158m (2001: £126m). The focus of expenditure was on essential replacements to maintain the activities of the business and to meet safety, environmental and related obligations. Nevertheless, major projects in progress or completed during the period included the rebuilding of Port Talbot no. 5 blast furnace, which is the subject of an insurance claim, and the relining of IJmuiden no. 6 and no. 7 blast furnaces.

After a campaign life of 15 years (32mt), the IJmuiden no. 6 blast furnace reline was successfully completed in May 2002. Since the furnace was relit it has achieved record outputs.

The rebuild of Port Talbot no. 5 blast furnace was announced on 16 January 2002 following the explosion that destroyed the furnace in November 2001, and the rebuilt

furnace was lit less than a year later on 2 January 2003, the work having been completed within time and budget. Furnace construction was based on the design of the other furnace at Port Talbot, which helped the rapid rebuild, as did the re-use of some equipment available from the Llanwern site. The furnace start up went well with usable iron produced within three days and full output expected to be achieved by the end of March 2003.

Preparation has also commenced for the reline of IJmuiden no. 7 blast furnace. The furnace was last relined in 1991 and has been in continuous operation since then. Several preliminary projects will be undertaken prior to the main reline, which is scheduled to take place in 2005. The project comprises the reline of the furnace and associated work on the bottom and hearth refractories, and the installation of a new hearth cooling system.

Other major schemes successfully completed in the year were the reconfiguration of an electrolytic tinning line at Trostre, South Wales following the closure of Ebbw Vale works and the transfer of a double reduction cold rolling mill to IJmuiden, and the enhancement of a bloom caster at Scunthorpe.

Stainless steel

On 22 January 2001 a merger was completed between Outokumpu Steel and Avesta Sheffield creating AvestaPolarit, one of the world's largest stainless steel producers. From that date, Avesta Sheffield ceased to be a subsidiary of Corus and, from the same date,

AvestaPolarit became an associated undertaking. The Corus holding in Avesta Sheffield prior to the merger was 51%. The Corus holding of the new associated undertaking was 23.2%. On 1 July 2002 Corus sold its stake in AvestaPolarit to Outokumpu severing its interest in the stainless segment.

Aluminium

Turnover, deliveries and prices

Turnover for the period was £957m compared with £1,085m in 2001, a decrease of 12%. This was closely linked to the decrease in LME prices for aluminium discussed below, together with lower aluminium trading activity by Corus.

Total deliveries reduced by 10% from 0.62mt in 2001 to 0.56mt in 2002, entirely associated with a reduced level of aluminium trading activity. In spite of a weak global and European economic environment, particularly in Germany, deliveries excluding trading activities remained unchanged from 2001 at 0.51mt. The global slowdown in the aircraft market had only a minor impact and was more than offset by an increase in sales volume of automotive products (35%) and of products for the heat exchanger industry (11%). Extruded products deliveries reduced by 2%, with the market for industrial extrusions affected by the slowdown in the European economy, particularly Germany. This was partially offset by growth in the project business. Deliveries to external customers from the primary aluminium operations remained largely unchanged from 2001 at 0.09mt.

There was a decrease in turnover of 9% between the first and second half of 2002, mainly reflecting the seasonal effect of customer shutdowns in the Summer and over Christmas. In addition, the delayed start up of the hot mill at Duffel in August 2002 referred to below gave rise to a reduction in volume.

Turnover in 2001 was 6% higher than in 2000 largely due to an increase in average revenue per tonne of 9%, excluding aluminium trading activity.

Turnover in the fifteen month period amounted to £1,227m.

European markets

Demand for rolled and extruded products in Europe recovered in the first half of 2002 from the low levels reached in the second half of 2001. However, the upward momentum could not be sustained in the second half of the year, and demand increased only modestly in the year as a whole, after a decline of almost 4% in 2001. Demand for rolled products generally developed more positively than demand for extrusions, but both markets weakened towards the end of 2002.

Deliveries to European markets amounted to 0.44mt in the period compared with 0.51mt in 2001, mainly due to lower trading activities.

Deliveries in 2001 were 9% up on 2000 levels. The increase was largely associated with aluminium trading activity but growth was realised in primary, automotive and aircraft products, offset by lower sales in commercial plate and sheet, and in industrial extrusions.

Other markets

In the USA, demand for aluminium rolled and extruded products recovered from depressed levels. However, after a significant recovery in the first half of the year, demand failed to make much further progress. On balance, growth in demand remained limited to about 4% to 5%, after a decline of 15% in 2001.

Deliveries to markets outside Europe amounted to 0.12mt in the period compared with 0.11mt in 2001.

2001 deliveries compared with 0.12mt in 2000. Significant growth was realised in sales of heat exchanger fins in North America and of aircraft plate world-wide, while sales of commodity products decreased.

Prices

Average revenue per tonne amounted to £1,708 compared with £1,747 for 2001, a decrease of only 2%, with the effect of reduced trading activities partially offsetting the significant decrease in the LME price of aluminium. Excluding trading activities, the average revenue per tonne in 2002 amounted to £1,790, a decrease of 7% from 2001. This decrease is mainly linked to the lower LME price for aluminium, partly offset by a movement towards higher added value products such as automotive body sheet. Pressure on margins was evident in most areas following the weak global economic situation in Europe and North America.

Between the first and second half of 2002, the average revenue per tonne decreased slightly from £1,718 to £1,699, also influenced by the fall in LME aluminium prices and the

strengthening of sterling against the US dollar. The comparative figure for 2000 was £1,760.

Pricing of aluminium products is heavily influenced by the price of metal traded on the LME in US dollars, and the euro/US dollar exchange rate. In the period the underlying LME price for Corus averaged \$1,360/tonne, which compared with \$1,500/tonne in 2001 and \$1,569/tonne in 2000. On the same basis, the first half averaged \$1,366/tonne with the second half at \$1,353/tonne. The fall in metal price was exacerbated by the strengthening of sterling against the US dollar in the second half of 2002. Combining the metal price and exchange rate movement gave a fall of 13% between 2001 and 2002 in the underlying sterling price of aluminium.

The continuing decrease of aluminium metal price in US dollar terms reflected an excess of world-wide aluminium supply over consumption, which gave rise to an increase in aluminium stock levels over the year.

Operating costs

Operating costs were £936m compared with £1,027m in 2001. The reduction was due to the lower metal price and lower trading activity, which was partly offset by an increase in employment costs, including the effect of manning up a new continuous annealing line at Duffel. On a per tonne basis the cost remained broadly unchanged, the lower LME price effect being offset by the impact of a reduced volume of trading activity and an increased proportion of higher added value products. Total costs pre-exceptional

items decreased by 6% between the first and second half of 2002, also as a result of lower metal prices and reduced volumes, partly offset by higher employment costs.

Operating costs for 2001 were 10% higher than 2000 reflecting purchase price changes on material and energy costs that are linked to the LME, together with an increase in environmental levies on energy supplies.

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, slabs and aluminium scrap.

Dynamics of the business

In the period, European markets accounted for 75% of aluminium segment turnover. Corus manufactures predominantly in Europe, which is also the main market for most of its aluminium products. High added value products such as aircraft plate, brazing sheet and speciality extrusions are also sold world-wide. The principal factors influencing financial performance are demand levels for rolled and extruded products, the LME price of metal for primary operations, sterling/US dollar exchange rate and the operational performance of plants.

Demand

Demand for primary aluminium in the western world developed strongly through 2002 and rose by about 5% compared with a similar fall in 2001. Supply increased at about the same pace and the market remained in surplus, just as in 2001. Both

Major capital projects

Completed in the period	Capital cost £m	Completion date
Duffel – continuous annealing line for aluminium	35	Dec 02
In progress at end December 2002		
Duffel – modernisation of drive regulation at hot mill	4	Jun 03
Duffel – revamp of cast house	4	Dec 03
Delfzijl – two additional rectifiers	3	Oct 03

production at western smelters and net imports from the former eastern bloc and China increased. Consequently, market conditions remained over-supplied and the average 3-months quotation on the LME fell from \$1,455 to \$1,365 per tonne.

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 US dollars, with prices normally quoted for delivery three months ahead. As LME pricing increases then profitability of the business tends to increase.

The revenue of the primary smelters is directly linked to the LME, but their input costs are only partly related. These units, therefore, experience a change in profitability in direct relationship to the movement in the LME. In contrast, the rolled and extruded products businesses experience swings in their material costs in line with the LME movement. However, this is largely passed through into revenue by operation of the commercial customer terms unless the metal price is fixed by hedges for long term contracts.

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 hot mill in Duffel experienced a delay in its restart following a major revamp in August 2002. In spite of overtime being introduced during the remainder of the year, it was not possible to avoid sales being substantially affected. However, elsewhere significant improvements were achieved across the segment in various areas, including productivity, metal yield and safety performance.

Investment

Capital expenditure in 2002 amounted to £30m (2001: £38m). The new continuous annealing line at Duffel was successfully commissioned in 2002 and will enable the site to supply up to 60kt per annum of automotive body sheet to the automotive industry. Smaller schemes for a preheat furnace for wide slabs and a processing centre for wide aircraft sheet in Koblenz were also completed in the first half of 2002.

Expenditure on new schemes was focused on essential replacements to maintain the activities of the business and to meet safety and environmental obligations. The principal projects approved were modernisation of drive regulation on the hot mill at Duffel, expenditure on the casthouse at Duffel to increase capacity and improve productivity, and two new rectifiers for the smelter at Delfzijl.

People

Most regrettably two fatal accidents occurred across the Group in 2002, both at Scunthorpe. All serious accidents are cause for the greatest concern, and are thoroughly investigated and result in recommendations being made to prevent a recurrence. A thorough and wide-ranging internal enquiry has been conducted in connection with the blast furnace explosion at Port Talbot in November 2001, and the conclusions and recommendations are being considered by an internal Panel of Enquiry. The external enquiry was initially led by the police but is now conducted by the Health & Safety Executive and is expected to take some considerable time to conclude.

The Executive committee is leading the Group to improve safety performance and, during 2002, a reduction of 25% in serious accidents as measured by lost time injury frequency rates has been achieved. Over the coming years the Executive will continue to ensure that health and safety is treated as a priority issue by managers and employees at all sites.

At the end of December 2001 the number of employees in the Group was 52,700. This reduced to 50,900 at the end of December 2002. The net reduction of 1,800 reflected the continuation of the Group's restructuring programme and productivity improvements. In the review period, UK manning levels declined from 26,700 to 25,400, in the Netherlands from 12,200 to 11,800, and in Germany from 6,600 to 6,300.

The average number employed by the Group for the period was 51,600 including 25,900 in the UK, 11,900 in the Netherlands and 6,450 in Germany. This compared with 55,600 overall in 2001 and 64,700 in the fifteen month period.

For the first time, Corus applied a fully international approach to reviewing pay and conditions, seeking below inflation settlements across the Group. This approach resulted in no review being held for Group Senior Managers, a zero award strategy being adopted for all UK employees and a settlement being made below inflation for the main negotiating group in the Netherlands. Some settlements flowing from industry sector negotiations were marginally higher than inflation, although in most cases productivity improvements were achieved offsetting additional costs.

In addition to the two European Works Council meetings scheduled in 2002 a further two special meetings were held to discuss developments in the now terminated merger discussions with CSN. A detailed employee brief was circulated for local consultation, following each meeting.

Notwithstanding the ongoing restructuring programme in the UK and some differences of opinion with the Dutch and German Works Council bodies, particularly over the sale of the aluminium businesses, general relationships between management and the trade unions and works councils internationally are very good. This can be evidenced by the fact that major closure and restructuring programmes have been undertaken following full consultation with those involved and there has been no industrial action or reduction in performance levels leading up to closures. Negotiations on pay and conditions matters are generally held in a constructive atmosphere.

The British Steel Pension Scheme is the main UK pension scheme of the Group. It is a defined benefit scheme and members contribute at the rate of 5% of pensionable earnings. Since 1 October 1999, the Company has contributed at the rate of 2% of pensionable earnings to the Main Section of the Scheme, supported by past service actuarial surplus, and 11.6% to the Acquisition Section. Following the triennial actuarial valuation as at 31 March 2002, the Actuary has certified that the Company contributions to meet the cost of future service benefits should be 0% in the Main Section and 12.3% in the Acquisition Section, with effect from 1 April 2003, subject to review at future actuarial valuations. The next formal valuation of the Scheme is scheduled to be undertaken as at 31 March 2005. The main features of the 2002 valuation of the Scheme and information about other UK pension schemes operated within the Group are provided in Note 32 to the Accounts.

As part of a long term pensions review of other UK pension schemes within the Group, active members of the Corus Engineering Steels Pension Scheme and the Firststeel Group Pension Scheme are being offered membership of the Acquisition Section of the British Steel Pension Scheme for future service, with effect from 1 April 2003.

The Stichting Pensioenfonds Hoogovens ('SPH') scheme is the principal pension scheme of the Group in the Netherlands. It is a defined benefit scheme and contributions in 2002, which can vary according to the funding ratio of the Scheme, stood at 5% from the Company and 3% from members relative to gross earnings. Further information about the SPH scheme is provided in Note 32 to the Accounts.

In keeping with a new policy statement approved by the Group's Executive during 2002 giving renewed commitment to education, training and development, Corus invested around £50m in these activities in spite of the very difficult economic conditions.

Environment and the community

Care for the community is an essential element of the Group's business and Corus continues to seek to reduce the effects of its production processes on the environment. Continuous process and product development give customers new, better, stronger and lighter products with improved environmental performance. Demonstrating this commitment Corus won, for the second successive year, a major commendation in the

UK Business Commitment to the Environment Awards for 2002, with a new sealed sheet piling system called Hydrobarrier developed for use in the containment and management of contaminated land.

In addition, following the annual review of the Dow Jones Sustainability Indices, which included an assessment of Corus corporate sustainability performance, the Company maintained its high position within the European Index (basic resources sector) and is the highest ranking European steel/aluminium manufacturer. Corus was also included in the FTSE4 Good (social responsibility) Index for the first time in 2002.

Regeneration of sites of former operations at Bryngwyn, Ebbw Vale and part of Llanwern is continuing with a view to developing and bringing back into economic use these brownfield sites. All environmental investigation work for the pre-development phase is now complete and site condition reports have been prepared for potential developers.

From April 2001, the UK government imposed a tax on the business use of energy. Corus has signed a negotiated agreement with the UK government allowing Corus to claim an 80% reduction in the amount of such tax up to the end of 2002. To receive the 80% reduction for the 2003 and 2004 periods, Corus will have to prove that it met certain energy efficiency targets in the milestone year of 2002. The agreement allows for a variation of the already agreed 2002 and future targets if, in the milestone year,

throughput falls below 90% of the level of 1999. This variation has been triggered for 2002 and negotiations continue with the UK government to ensure Corus can continue to receive the 80% reduction. The reduction is worth approximately £28m per annum to Corus.

Minimising and managing risk are important components of the management systems within Corus. Potential risks are identified through techniques such as environmental auditing, 'near miss' reporting and formal risk assessments. Nevertheless, with the complex nature of the operations in Corus there have been incidents that have resulted in three prosecutions in 2002 against the Group. Such incidents are regrettable and Corus continues to review its procedures in order to minimise the likelihood of recurrence.

In the twelve months to October 2002, Corus made gross contributions to environmental bodies under the landfill tax credit scheme of nearly £400,000. Donations were made, amongst others, to Arena Network in Wales, the South Yorkshire Forest Trust and to various local projects around the UK.

Corus will publish its first combined Health, Safety and Environmental Report in July 2003 detailing the performance and progress made in 2002. The present Environment Report is available by viewing the Group's website on www.corusgroup.com

Technology

In line with the Group's objective to strengthen its position in profitable markets, Corus continues its efforts

to develop new and improve existing products for specific markets. Joint developments with key customers in selected markets are continuing and should result in products tailored to market requirements. Net expenditure on research and development in 2002 amounted to £65m (2001: £60m).

Corus continues to strive to enhance the competitive position of its businesses by executing projects that allow them to supply value-added products and services to customers, and to apply cost effective process technology. To achieve optimum results, Corus continually strengthens its collaborative research with its customers and their customers, and with suppliers of other materials, as well as with specialised research institutes. This approach allows integrated solutions to be offered to customers in core markets.

Corus is also collaborating with other steel companies wherever this is beneficial to both partners. For example, an agreement with Sumitomo Metals has the objective of collaborating in areas such as developments for the automotive market. Details have been worked out through 2002 and include product development such as high strength steel and lead-free low carbon free-cutting steel, as well as the mutual exchange and implementation of plant practices.

In 2002 measures to raise the efficiency of technology development by concentrating the UK R&D activities resulted in the closure of the Welsh Technology Centre at the end of the year. Application research is now concentrated at the Swinden

Technology Centre in the UK and the IJmuiden Technology Centre in the Netherlands. Plans for a new technology centre in the UK, as announced in 2000, have been reviewed and the centre is expected to become operational in 2005.

In 2002, new or improved products were launched for a variety of markets, some of which are discussed below.

In response to the trend in bridge building to increase spans and reduce construction time, a new ultra high carbon steel grade with over 10% higher strength than the material currently used for bridgewire in suspension bridge main cables has been developed. Other potential applications that will benefit from this are deep water mooring cables for the offshore industry and roof bolting strands for the construction industry.

In April 2002, the result of a three-year international collaborative project to develop modular systems for residential building, known as FutureHome, was exhibited at the IJmuiden Technology Centre and generated interest from architects and construction engineers in several European countries. As well as the development of design aids, the project involved erecting a prototype of a modular house using a variety of metals, including a Kal-Zip roof section with integrated solar cells.

A major success in marketing Corus' Kal-Zip roofing system was achieved early in 2002, with an order for the new international airport of Guangzhou in China, one of the largest single orders for this material ever received. Both terminal buildings

and the ten spurs of the airport will be roofed with Kal-Zip.

Another high added value product for the construction market that is gaining increasing attention because of its unique combination of properties is Colorcoat Celestia. This is a metallic-finish cladding steel that combines the aesthetic effects of a metallic finish with high durability obtained by applying a high-performance plastisol coating to a hot-dip zinc coated substrate.

Similarly, Assure was launched in 2002 aimed at applications where good hygiene is critical, such as medical environments and the food industry. This material has been developed in collaboration with a leading antibacterial protection firm Microban International Ltd. Assure is a prefinished metal product that contains an active component, locked within the paint or laminate coating, that impedes the growth of harmful bacteria. Since the component is distributed throughout the coating, the antibacterial protection properties remain even when the top coating is damaged, while the material retains all other advantageous properties of prefinished metals.

Major advances have been made in the development of aluminium sheet for automotive applications. Production of sheet material of the Innerlite and Superlite types, for inner and outer car body panels respectively, commenced at the Duffel plant (Belgium), where the new continuous annealing line with pre-treatment became operational in 2002. Alloy development continued to further improve the properties of these materials and to introduce new

materials such as the new aluminium-magnesium alloy Templite™, with higher strength and better anti-corrosion properties compared to existing alternatives.

In the packaging area, collaborative projects with customers are ongoing in order to further reduce the thickness of beer and beverage cans with a view to reducing the amount of material used, and complying with the trend in the packaging industry.

For cost efficiency reasons, production facilities for beer and beverage cans generally have a very high capacity. Setting up such production lines in emerging markets can, therefore, be uneconomic, leading to loss of markets to competing materials. Using Corus' new polymer coated material, Protact®, for two-piece beverage cans may make it economic to set up small-scale production facilities in such emerging markets, because no lacquering and curing facilities are required, reducing capital cost. A patent application has been filed for a new wall-ironing concept developed for making two-piece Protact beverage cans.

Polymer coated material can also be applied to advantage in food packaging. In 2002, the first commercial orders were received for a tapered can for the packaging of fresh fish. This followed extensive laboratory work in collaboration with customers. Another example of a food container where using polymer coated packaging steel can be advantageous is the quarter club fish pack, for which Corus has developed a variant with an easy peel-off lid.

In the steel processing area, developments are continuing to increase the efficiency of steelmaking operations and the productivity of Corus plants. A major achievement in this field has been the successful implementation of a package of measures to increase the steelmaking capacity of IJmuiden to 6.5mt per annum. These included the installation of additional equipment and changes in operating practices. The latter measures led to a dramatic increase in availability of steel converters, with the life of their refractory lining having almost doubled since 2000. Structures have been established within Corus to identify best practice and apply these throughout the Group.

The strategy for information technology (IT) is to invest in projects that provide significant benefits to customers, suppliers and employees. The corporate IT infrastructure is delivered to business units in a cost effective stable form which allows for the development of business based IT systems aligned to the corporate IT strategy. Significant effort has been applied to improving security in the IT infrastructure to enable safe e-commerce, and to allow mobile and remote usage. Digital business developments are focused on customer and supply chain to provide better links to key business partners.

Business risk management

The risk management review process has evolved in the Group over the years 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 is undertaken annually, with periodic updates as detailed below. This is normally conducted at the end of the third quarter in each year and is reported to the Executive committee, Audit committee and Board. Executive directors, managing directors and functional heads undertake the assessment of the principal risk areas and related risk management practices for the Group. Executive directors are responsible for assessing strategic risk and managing directors are responsible for assessing operational risk, and for ongoing monitoring and adequacy of related control procedures. Functional heads advise on specific functional issues.

Monthly reports are made to the Executive committee dealing with significant changes in risk and controls in the period. Regular detailed reports are also 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 Audit committee and the Board.

In parallel with the risk management review process, a business continuity program has been running for fifteen months, with business units and functions having written continuity plans in place. Site planning and testing, and independent certification form part of the ongoing program, which is linked to the risk management, insurance and audit programs to provide a comprehensive picture of plans to manage business risk.

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 2002 was £48m (2001: £42m; 2000: £40m).

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. In all cases, Corus businesses located in the euro-zone have complied with legislation to replace national currencies with the euro by 1 January 2002. The actual changeover to the euro occurred on 1 January 2002 without any material problems arising within the Group.

Businesses located in the UK and in other European countries outside the euro-zone are currently capable of undertaking transactions in the euro, like any other foreign currency. As regards businesses located in the UK, until the position of 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 March 2002 Corus announced that, following a reappraisal of its position in the global aluminium industry, it was to offer its aluminium businesses for sale. On 16 August 2002, Corus announced that it had agreed to sell its 20% interest in the Aluminerie Alouette smelter to Alcan for US\$165m (approximately £107m) in cash, with a consideration for working capital on completion. The transaction was completed on 17 September 2002. On 23 October 2002, Corus announced that it had agreed in principle to the sale of its Aluminium Rolled Products and Extrusions businesses to Pechiney SA for €861m (approximately £543m). It was intended that a definitive sale and purchase agreement would be entered into following completion of internal consultation, advice and approval processes. However, the Supervisory Board of Corus Nederland BV decided on 10 March 2003 to reject the recommendation to proceed with the sale. On 11 March 2003 Corus Group plc announced it would commence proceedings before the Enterprise Chamber of the Amsterdam Court of Appeal to seek redress in respect of this decision. However, this request was unsuccessful and, as no appeal procedure is available to resolve the issue in time for the sale to proceed, Corus accepts the Court's decision as final. Pechiney has been informed that Corus will not now proceed with the sale and, as a result, a break fee of €20m is payable to Pechiney.

On 1 July 2002 Corus announced the disposal of its 23.2% stake in AvestaPolarit Oyj Abp to Outokumpu Oyj for €6.55 per share in cash plus

€25m in cash as consideration for the termination of the shareholders' agreement between Corus and Outokumpu entered into in connection with the formation of AvestaPolarit in January 2001. The total proceeds amounted to approximately €555m (approximately £356m).

On 17 July 2002 Corus announced that its Board and that of Companhia Siderurgica Nacional (CSN) had reached agreement in principle on the terms of a proposed merger of the two companies. Non-binding Heads of Agreement were entered into by Corus and CSN. The proposed merger was subject to a number of conditions and the Corus Board continued to monitor the situation as the work on the merger progressed. In spite of the strong strategic rationale for the merger as seen by Corus, the Board announced on 13 November 2002 that it had decided to terminate the proposed transaction. Ongoing uncertainties in the global business environment and the financial markets led the Board to conclude that the transaction could not be completed as envisaged in the foreseeable future.

On 28 March 2002, Corus sold its stake in a joint venture company, Galtec NV, to Sidmar for proceeds of £12m.

On 21 August 2002, Corus announced the acquisition of Erik Olsson and Söner of Sweden, a profiler of steel sheets for roofing and a supplier of pre-engineered industrial and agricultural buildings, for £9m.

On 6 November 2002, Corus announced its intention to acquire 100% of the equity of Precoat International plc, one of the leading independent pre-coated steel service centres in the UK. The recommended cash offer was 88p per share, valuing the issued share capital of Precoat at approximately £7m. The offer represented a premium of 35.4% over the closing price of Precoat's shares on 5 November 2002. The offer was declared unconditional as to acceptances on 6 December 2002 and the purchase was completed on 27 December 2002 following acceptance by Precoat's shareholders and regulatory consents.

During the period, the trade and assets of the Group's 25% US joint venture Trico Steel LLC was sold to Nucor Corporation. Prior to this, Trico had filed for Chapter 11 protection from creditors and was fully provided against at December 2000.

Accounting policies

Details of the main accounting policies used by the Group appear on pages 51 to 53. The financial statements to 28 December 2002 have been produced in accordance with the applicable accounting standards in the UK. They also include a reconciliation of earnings and equity under US GAAP along with a discussion on the nature of any reconciling items. See under 'Supplementary information for North American investors' on pages 93 to 98.

Preparation of financial statements includes the need to make assumptions and estimations that affect the amounts of assets, liabilities, revenues and expenses being reported. Actual results

may differ from those estimated under different assumptions and conditions. For the period under review, the most significant areas of judgement for Corus related to the basis of preparation of the financial statements, tangible fixed assets, deferred tax and the value of provisions created in 2000 for redundancy, rationalisation and other related costs following the strategic review of UK carbon steel activities (as discussed in the 'Summary' on page 6).

The financial statements have been prepared on a going concern basis. However, the Group currently has bank facilities in place only until 30 January 2004 and is in discussion with its bankers regarding a new three year facility. More detail on this issue is provided on page 51 'Basis of preparation'.

A significant part of the capital employed by the Group is invested in tangible fixed assets and an estimate must be made of the effective life applied to each category of assets. The estimates made are based on a number of factors including the accumulated experience of effective asset lives from historic business operations. This in turn determines the annual depreciation charge, which has an impact on earnings. Also, where appropriate, the carrying values of fixed assets are reviewed for impairment by reference to their value in use. This value is determined based on discounted cash flows using a pre-tax discount rate of 9.5%.

Deferred tax is accounted for under FRS 19 'Deferred Tax', which was adopted by the Group from 1 January 2001, when comparative

figures for prior periods were restated to reflect the impact of FRS 19. Deferred tax assets amounting to £137m have been recognised in the balance sheet at 28 December 2002. The deferred tax assets in respect of tax losses are recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur. Deferred tax assets have not been recognised in respect of total losses with a value of £1,390m, of which £831m are UK losses.

The requirement for provisions related to redundancy, rationalisation and other related costs are assessed on a regular basis in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'. Amounts recognised as a provision are the best estimates of expenditure required to settle relevant obligations at the balance sheet date. These estimates are based on factors such as previous experience and third party advice, but the timing and value of these liabilities are not certain.

There have been no new UK standards issued by the Accounting Standards Board since the last Report & Accounts. However one standard, FRS 17 'Retirement Benefits', was issued during November 2000.

The full requirements of FRS 17 do not need to be met until accounting periods beginning on or after 1 January 2005 (delayed from 22 June 2003 under the original ASB proposals). The required transitional disclosures have, however, been made from the financial year 2001. 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 remain in surplus, which will result in an additional asset being recognised. At 28 December 2002, Corus estimates this asset to be £68m after taking account of an estimated deferred tax liability of £20m. It should be noted that each scheme's ongoing funding arrangements, in place to meet their long term pension liabilities, are governed by scheme documentation and national legislation, and not the FRS 17 disclosure requirements or other accounting standards.

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 in respect of the fifteen month period 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.

On 18 April 2002, Corus launched a securitisation programme in the UK under which it may from time to time offer to assign all of its rights, title and interest in certain eligible trade receivables to a third party financing vehicle, which funds the cash purchase price of any original receivables ultimately in the US commercial paper markets. That purchase price takes into account, inter alia, the risks that may be

attached to individual debtors and the expected collection period. Under FRS 5 'Reporting the Substance of Transactions' the proceeds from the securitisation have been offset against the securitised trade receivables in a linked presentation. Thus, included within debtors due within one year are the amounts stated opposite.

The Group is not obliged, and does not intend, to support any losses arising from securitised receivables. Broadly, in the event of default in payment by a debtor of a particular eligible securitised receivable, the providers of the finance under the securitisation will seek repayment, as to both principal and interest, only

	£m
Securitised gross trade debtors	293
Less non returnable proceeds	(181)
Net securitised trade debtors	112
Other trade debtors	883
Total trade debtors	995

from receipts in respect of the remainder of the securitised receivables in which they hold an interest. Repayment will not be sought from the Group in any other way.

Commitments and contingent liabilities

The Group has a series of financial commitments and contingent liabilities, which arise in the normal

course of business. Details of commitments for capital and lease expenditure are provided in Notes 28 and 29. Other contingencies are discussed in Note 30. In addition, other contingent liabilities and obligations in respect of short and long term debt and financial instruments are set out in Notes 20 and 23.

Financial review

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

The loss for the period after interest, tax and minority interests was £458m representing a loss per share of 14.65p. Translation gains of £83m arose on foreign currency net investments, mainly from the Group's investment in Corus Nederland BV, so that total recognised losses in the period amounted to £375m.

No dividend was paid during the year and the Board has not recommended the payment of any final dividend.

Shareholders' funds reduced by £339m to £2,722m, primarily reflecting the loss for the period partially offset by translation gains and the transfer of goodwill from reserves in respect of the AvestaPolarit disposal, and representing 87p per share. The Company's share price fluctuated within the range of 22p to 90p during the period, with a price at the end of the period of 27p and stock market capitalisation of £845m.

Capital structure and treasury policy

Average net debt during the period was some £1,581m and net debt at 28 December 2002 amounted to £1,236m (29 Dec 2001: £1,560m; 30 Dec 2000: £1,676m). Cash and short term investments at 28 December 2002 amounted to £270m (29 Dec 2001: £184m; 30 Dec 2000: £273m).

The treasury policies summarised below applied throughout the period and are consistent with the prior year.

At 28 December 2002, the Group had £2,389m in committed borrowing facilities, of which £948m was unutilised (see note on subsequent cancellation below).

On 31 January 2001, Corus arranged a new €2,400m syndicated bank facility, which replaced a €1,500m syndicated facility of Corus and most of the committed bank facilities of the former Hoogovens Group.

On 11 January 2002, the Company issued €307m of 3% guaranteed unsubordinated bonds due 2007, convertible into shares of the Company. Funds from the bond issue amounting to approximately €300m were used to pay down and cancel part of the €2,400m bank facility described above.

Most of the proceeds of the debtor securitisation programme launched in April 2002 were used to pay down and cancel, to the extent of €240m, a further part of the €2,400m syndicated bank facility.

On 30 December 2002 the syndicated bank facility was reduced by voluntary cancellation of €460m, €260m of which would have matured in January 2003 and €100m of which would have matured in March 2003. The balance of the remaining syndicated facility was €1,400m.

Discussions with the Company's bankers are currently ongoing regarding the replacement of this facility from January 2004.

The Company believes that current facilities are sufficient to meet the needs of its present activities. The

syndicated bank facility incorporates covenants on balance sheet ratios but not on interest cover or cash flow.

Total borrowings at 28 December 2002 were £1,506m (29 Dec 2001: £1,744m; 30 Dec 2000: £1,949m). These included:

€396m in 5.375% euro bonds due 2006 (€400m issued at 99.086%)

€307m in 3% convertible bonds due 2007

£198m in 6.75% sterling bonds due 2008 (£200m issued at 99.122%)

£150m in 11.5% debenture stock due 2016 (secured)

NLG200m 6.75% bonds due 2004

NLG335m 4.625% subordinated convertible bonds due 2007

NLG300m 5.625% bonds due 2008.

Other borrowings included £366m principally in US dollars, euros and sterling under long term bank facilities with maturities of up to five years, bank overdrafts of £36m and finance lease obligations totalling £43m. Of the total borrowings, £363m of bank borrowings carry interest on variable rate terms, which ranged at period end between 1.25% and 7.68% with a weighted average of 4.3%.

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 Corus Nederland BV, where the risk tends to be balanced over time by the contra effect of exchange rate movement on Corus Nederland's competitiveness and profitability, only a partial hedge is undertaken. The period end position was compatible with the Group's policy and strategy, which was applied consistently throughout the period. At 28 December 2002 the Group had £759m in euro denominated borrowings and £179m in US dollar 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 28 December 2002 the Group held forward currency sales of principally mainland European currencies amounting to £711m (period end value £711m) and forward currency purchases of principally US dollars amounting to £272m (period end value £261m). These amounts represented substantially 100% of the contracted transaction exposure in these currencies at 28 December 2002. Foreign exchange contracts do not generally extend beyond twelve months other than for certain long term contracts in the aluminium businesses, which may extend up to four years.

Commodity risk management

The Group makes 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. Across the Group forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices. At 28 December 2002 the Group had total commodity contracts of £241m (fair value £238m).

Interest rate risk management

The Group's financial structure is conservative and it is Group policy for 50% to 70% of net debt to be at fixed rates, principally achieved by fixed rate borrowings. Due to the Company's success in reducing short term, floating rate debt, as at 28 December 2002 89% of net debt had fixed interest rates. Where appropriate, 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 23 and 24 to the Accounts. 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 28 December 2002 the Group had outstanding forward contracts of £439m in respect of actual and forecast transaction exposures. The period end value of these contracts at 28 December 2002 amounted to £450m resulting in a fair value gain of £11m. A 10% appreciation of sterling would decrease the fair value of these contracts by £40m.

At 28 December 2002 the Group had net debt of £133m exposed to floating interest rates. A 1% decrease in average interest rates would cause an increase in annual future earnings of £1m before tax.

Taxation

The net taxation charge for the period was £61m, after prior year charges amounting to £16m. Within the total, UK corporation tax at 30% was £2m, reduced to £nil by double taxation relief. Taxation on the Group's overseas profits amounted to £15m and the Group's share of taxation of joint ventures and associated undertaking amounted to £6m. Deferred tax charges, UK and overseas, totalled £24m following reassessment of the opening UK deferred tax asset.

Funds from operating activities and other cash flows

Net debt decreased by £324m in the period giving a movement from net debt of £1,560m at 29 December 2001 to net debt of £1,236m at 28 December 2002. Net debt consisted of borrowings of £1,506m less cash balances and deposits of

£270m. The movement largely reflected the sales of AvestaPolarit and Aluminerie Alouette, and the debtor securitisation programme put in place during the year.

There was a net cash inflow from operating activities of £41m in spite of an operating loss of £426m. The inflow reflected a reduction in working capital of £162m partially offset by the cash cost of restructuring and rationalisation measures amounting to £57m and exceptional items of £52m. The reduction in working capital included the benefit of debtor securitisation of £181m.

There was a net cash outflow on investments and servicing of finance of £87m reflecting the level of net debt during the period. There was also a cash outflow on capital expenditure and financial investment of £57m, after the sale of tangible fixed assets of £112m.

The cash inflow from acquisitions and disposals of £445m mainly arose from the sale of Corus interests in AvestaPolarit and Aluminerie Alouette. There were also tax payments totalling £14m.

A net £266m was applied to repaying gross borrowings.

Minority interests

At 28 December 2002, minority interests in subsidiary undertakings amounted to £47m (29 Dec 2001: £60m; 30 Dec 2000: £380m) arising principally from Corus L.P. and Cogent Power. The reduction in minority interests from 2001 reflects exchange rate movements and the goodwill impairment within Cogent Power. The reduction in minority interests between 2000 and 2001 reflected the deconsolidation of Avesta Sheffield.

Directors' report

The directors present their report and the audited accounts for the financial year ended 28 December 2002.

Review of the business

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

A review of the Group's performance during the year, its prospects and future developments is given in the Review of the period on pages 4 to 24.

Post balance sheet events

Details are set out on page 90.

Results and dividend

The loss before taxation was £404m for the financial year ended 28 December 2002 (12 months ended 29 Dec 2001: loss of £462m; 15 months ended 30 Dec 2000: loss of £1,275m).

No dividend was paid during the year and the directors do not recommend the payment of any final dividend (total for 12 months ended 29 Dec 2001: nil; total for 15 months ended 30 Dec 2000: 1p).

Fixed assets

Details are set out in Notes 11 to 13 to the Accounts on pages 65 to 67.

Substantial shareholdings

As at 13 March 2003, the Company had been notified of the following interests in its issued ordinary share capital:

	% held
Material	
Legal & General Group plc	3.32
Aviva plc	3.73
Non-material	
The Capital Group Companies, Inc	7.89
Brandes Investment Partners, LP	14.9

Directors

The directors of the Company who held office during the financial year to 28 December 2002 are listed below. Mr A P Pedder has resigned since the year end.

Mr D M Lloyd, Mr R T Turner and Mr H A M Vrins will retire by rotation and, being eligible, offer themselves for re-election.

Dr A Hayward having been appointed since the last Annual General Meeting, retires and offers himself for election.

Mr D M Lloyd and Mr H A M Vrins have service contracts which provide for a one year notice period. Dr A Hayward and Mr R T Turner are non-executive directors and do not have service contracts with the Company.

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.

Corporate governance

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

Whilst the Company currently complies with many of the principles and provisions outlined in the recently published Higgs and Smith reports, a full review of the impact of their recommendations is currently taking place.

In connection with its listing in the US, the Company has taken the necessary steps for compliance with the requirements of the Sarbanes-Oxley Act for the financial year ended 28 December 2002. The Company will continue to review the impact of developing legislation to achieve ongoing compliance.

Board

The Board comprised the Chairman, five other non-executive directors and four executive directors.

With the exception of the Chairman, all non-executive directors are considered by the Board to be independent.

During the year, the senior independent director was Mr H de Ruiter until 22 April 2002 and Mr J W Leng thereafter.

Directors holding office during the year

	Date of Appointment	Date of Resignation
Sir Brian Moffat		
Mr J W Leng		
Mr E A van Amerongen		
Mr D M Lloyd		
Mr S I Pettifor		
Mr R T Turner		
Mr M C van Veen		
Mr H A M Vrins		
Dr A Hayward	22 April 2002	
Mr H de Ruiter		22 April 2002
Sir Nicholas Goodison		22 April 2002
Mr A A Loudon		22 April 2002
Mr A P Pedder		13 March 2003

The Board meets on a regular basis, at least ten 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 on pages 32 and 33.

On 13 March, Mr A P Pedder, Chief Executive, resigned. The recruitment for a new Chief Executive is underway. Mr Stuart Pettifor, a main Board executive director, has been appointed Chief Operating Officer and will take responsibility for all operational matters. The Chairman, Sir Brian Moffat, has at the request of the Board deferred his planned retirement and will be full time Chairman until his successor is appointed.

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 summarised below. In addition, there is an Allotment committee which operates in connection with the Company's employee share schemes.

Audit committee

The Audit committee comprises Mr J W Leng (Chairman), Mr E A van Amerongen, Dr A Hayward 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.

Health, Safety and Environment committee

The Health, Safety and Environment committee comprises Mr M C van Veen (Chairman), Mr E A van Amerongen, Dr A Hayward and Sir Brian Moffat. It is responsible for reviewing the Company's performance in terms of compliance with health, safety and environmental legislation and formulating the Company's policies with regard to such issues.

Remuneration committee

Details are set out in the Report on remuneration on page 34.

Nominations committee

The Nominations committee comprises Mr J W Leng (Chairman), Sir Brian Moffat, Mr R T Turner and Mr M C van Veen. All are independent directors except Sir Brian Moffat. It considers the nomination of Board members and any new Board appointments.

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 directors are available for this purpose.

Information on Corus is also made available on the website at www.corusgroup.com

Accountability and audit

A statement of the directors' responsibilities for the preparation of the financial statements is set out on page 43.

Recognising the differing requirements of shareholders 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. A half-year interim report is also sent to all shareholders.

The Company also produces an Environmental Report which is available on request at no charge and which has a wide circulation beyond the shareholder base.

Going concern

The financial statements have been prepared on a going concern basis since the directors are satisfied that the Company's activities are sustainable for the foreseeable future. However, the Group currently has bank facilities in place only until 30 January 2004 and is in discussion with its bankers regarding a new three year facility. More detail on this issue is provided on page 51 'Basis of preparation'.

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;

- business unit managing directors throughout the Group and corporate functional heads are required annually to 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 assessing strategic risk and for reviewing the risk assessment for completeness and accuracy. The consolidated results of these reviews are reported to the Audit committee and thereafter to the Board to enable the directors to review the effectiveness of the system of internal control. The process 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 Health, Safety and 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 & Accounts for the financial year ended 28 December 2002 and up to the date of approval of the Report & 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 Principals of Good Governance and the provisions of the Code of Best Practice with the exception that the period of notice to be given for this year's Annual General Meeting will be less than 20 working days.

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.

Corus Group plc is the parent company of Corus UK Limited and Corus Nederland BV, both of which are wholly-owned subsidiaries. Corus UK is a trading company and manages the businesses formerly

owned by British Steel. Corus Nederland, previously Koninklijke Hoogovens NV, is a holding company for the businesses owned by Koninklijke Hoogovens prior to its merger with British Steel to form Corus.

The Board of Corus UK and the Management Board of Corus Nederland are responsible for the day to day management of their respective businesses in accordance with the strategy laid down by Corus Group plc. In addition to these two Boards, Corus Nederland is required by the Dutch statutory mitigated structure regime to have a Supervisory Board to advise the Management Board of Corus Nederland. That Supervisory Board is also responsible for supervising the policies of the Management Board of Corus Nederland and the general course of business of that company. When exercising its duties, it must act in the best interests of Corus Nederland and its business enterprise. Certain decisions of the Management Board of Corus Nederland are reserved for approval by the Supervisory Board, including the issue of shares, the entering into or terminations of long term co-operation arrangements with third parties, the alteration of the articles of Corus Nederland and certain significant acquisitions and disposals. The Supervisory Board may extend the decisions of the Management Board that are subject to its approval. The Supervisory Board may suspend members of the Management Board.

Members of the Supervisory Board are appointed for a minimum of four years, and any vacancies are filled by

appointments made by the current members of the Supervisory Board, subject to rights of recommendation by the general meeting, the competent works council and the Management Board, and rights of objection by the general meeting and the competent works council. The Supervisory Board must consist of a minimum of three members.

Social responsibility

For Corus, Corporate Social Responsibility (CSR) involves the integration of its financial and strategic goals with:

- a commitment to the health, safety and wellbeing of its employees and communities.
- a focus on improving environmental performance and providing sustainable products.
- conducting all aspects of its business with honesty and integrity.

Corus believes that the incorporation of environmental and social factors as well as economic factors, within its business planning and reporting, adds to the sustainability of its business products and services, through the management of risks, improved stakeholder confidence and brand positioning.

The aim is to improve quality of life for employees and the communities it operates in, and to provide products and services which contribute positively to society.

Employees

The total number of employees world-wide of the Group as at

28 December 2002 was 50,900. 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 operates a sharesave scheme and an all employee share ownership plan for UK employees, both of which are approved by the UK Inland Revenue.

Community involvement

The Company recognises its responsibilities to the communities in which it operates. During the year, charitable donations in the UK by the Group amounted to £472,635 (2001: £550,588; 2000: £619,192). The Company also supports community projects through sponsorship, gifts of materials and secondments, and has supported the arts, environmental projects and educational activities, as appropriate.

No donations were made to political parties during the year. However, authority was granted to the Company at the last Annual General Meeting to make political donations to EU Political Organisations and incur EU Political Expenditure, pursuant to the Political Parties, Elections and Referendums Act 2000 ('the Act'), up to a maximum of £100,000. The resolution was intended to authorise normal expenditure which,

as a result of the wide definitions under the Act, could be construed as political expenditure or a donation to a political organisation provided that such expenditure was disclosed in the Report & Accounts. Accordingly, it is reported that the Group incurred such expenditure amounting to £18,348 in connection with employees being allowed time off with pay for attending to trade union business and carrying out civic duties.

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' purchases outstanding at 28 December 2002 (29 Dec 2001: nil; 30 Dec 2000: nil), based on the average daily amount invoiced by suppliers during the year.

Research and development

Details are set out in the Review of the period, 'Technology', on pages 16 to 18.

Share capital

Changes in the ordinary share capital during the period are detailed in Note 26 to the Accounts on pages 76 to 78.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership ('LLP') from 1 January 2003, PricewaterhouseCoopers resigned on 11 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at Congress Centre, Great Russell Street, London WC1B 3LS on Tuesday 29 April 2003 at 11.00am. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in the accompanying Chairman's letter.

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
14 March 2003

The Executive committee

The day to day management of the Company is conducted through the Executive committee.

During the year under review the Executive committee comprised:

Tony Pedder

Chief Executive, with direct responsibility for strategy and corporate relations. He has resigned since the year end.

Harold Homer

Acting business portfolio director with responsibility for **Corus Construction & Industrial, Corus Engineering Steels, Corus Rail and Corus Special Profiles**. He was previously a director of British Steel from 1992-1999 with responsibility for the same portfolio.

Chris Hollick

Business portfolio director with responsibility for **Corus Building Systems and Corus Metal Services Europe**, plus functional responsibilities for commercial co-ordination; field commercial teams Europe; the automotive and construction sector units; research, development and technology; information technology/systems and supplies and transport. He has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV in 1999. He joined British Steel in 1967.

Allan Johnston

Director with functional responsibility for health and safety, human resources, environment, pension schemes, pension investments (UK) and UK Steel Enterprise Limited, and business responsibility for **Corus Consulting**. He has been a member of the Executive committee since the merger of British Steel plc and Koninklijke Hoogovens NV in 1999. He joined British Steel in 1970.

David Lloyd

Executive director, finance, with functional responsibility for corporate finance, mergers and acquisitions, internal audit and investor relations.

Stuart Pettifor

Executive business portfolio director with responsibility for **Corus Strip Products IJmuiden and UK, Corus Packaging Plus, Corus Colors and Corus Tubes**. With effect from 13 March 2003 he has been appointed Chief Operating Officer whilst retaining his responsibility for his existing portfolio of businesses.

Richard Reeves

Company Secretary with functional responsibility for secretariat, property and legal services.

Henk Vrins

Executive business portfolio director with responsibility for **Corus Primary Aluminium, Corus Aluminium Rolled Products, Corus Aluminium Extrusions, Corus Special Strip, Cogent Power Limited, Corus Metal Services North America and International and Corus Tuscaloosa**.

For the purposes of the Report & Accounts 2002 on Form 20-F, all of the members of the Executive committee are considered senior officers of the Company.

Biographies of Messrs Lloyd, Pettifor, Reeves and Vrins are set out on pages 32 and 33.

The business unit activities are as follows:

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 Building Systems

Steel and aluminium products for the building industry including roof and wall cladding.

Corus Metal Services Europe

Full range of Corus products and processing services.

Corus Consulting

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

Corus Strip Products IJmuiden

Hot rolled steel strip; cold rolled and metallic coated steel.

Corus Strip Products UK

Hot rolled steel strip; cold rolled and metallic coated steel.

Corus Packaging Plus

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

Corus Colors

Organic coated steels.

Corus Tubes

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

Corus Primary Aluminium

Extrusion billets, slabs and ingots.

Corus Aluminium Rolled Products

Plate, sheet and coil.

Corus Aluminium Extrusions

Soft and hard extruded profiles, rods and bars.

Corus Special Strip

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

Cogent Power Limited

Electrical steels, transformer cores; generator and motor laminations.

Corus Metal Services North America and International

Global service centre, trading and projects activities; commercial services for full range of Corus products.

Corus Tuscaloosa

Plate products in both coil and cut plate form.

The Board

Sir Brian Moffat OBE

Chairman

Sir Brian Moffat (64) was appointed Chairman of Corus Group plc in 1999 on the merger of British Steel plc and Koninklijke Hoogovens NV. Between December 2000 and September 2001 he acted as Chairman and Chief Executive. He serves on the Nominations and Health, Safety and Environment committees. 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 currently a non-executive director and Deputy Chairman of HSBC Holdings plc and a Member of the Court of the Bank of England. He was previously a non-executive director of Delta plc (1994-1998) and Enterprise Oil plc (1995-2002).

Mr James W Leng

Independent

Jim Leng (57) was appointed a non-executive director of Corus Group plc in June 2001 and deputy chairman and senior independent director in April 2002. He is Chairman of the Nominations and Audit committees and serves on the Remuneration committee. He is a non-executive director of Pilkington plc, of IMI plc and J P Morgan Fleming Mid Cap International Trust plc. He is also Chairman of the Laporte plc pension funds and a Governor of the National Institute of Economics and Social Research. He was the Chief Executive of Laporte plc from 1995 until June 2001 when the acquisition of the company by Degussa AG was completed.

Mr Eric van Amerongen

Independent

Eric van Amerongen (49) was appointed a non-executive director of Corus Group plc in April 2001. He is chairman of the Remuneration committee and serves on the Audit and Health, Safety and Environment committees. He is non-executive Chairman of Lucent NL. He is Chief Executive Officer of both Swets & Zeitlinger NV and Swets Blackwell BV. Among others, he is Chairman of the Board of Trustees of Twente University in Enschede, The Netherlands, and a member of the Supervisory Board of CBR, Rijswijk, The Netherlands.

Dr Anthony Hayward

Independent

Tony Hayward (42) was appointed a non-executive director of Corus in April 2002. He serves on the Audit and Health, Safety and Environment committees. He is the Group Managing Director and Chief Executive of Exploration and Production for BP plc.

Mr David Lloyd

Executive Director

David Lloyd (39) was appointed Executive Director, Finance in February 2001, subsequent to becoming 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. He was a non-executive director of AvestaPolarit Oyj Abp (2001-2002).

Mr Stuart Pettifor

Executive Director

Stuart Pettifor (57) was appointed an executive director of Corus Group plc in September 2001. He joined British Steel in 1963 and held a number of senior positions within the Company prior to becoming Chief Executive of Avesta Sheffield AB in 1997. Avesta Sheffield AB merged with Outokumpu Steel of Finland to form AvestaPolarit Oyj Abp in 2001 when he became Deputy Chief Executive Officer and President, Coil Products, of the new company.

Mr Richard Turner CMG, OBE

Independent

Richard Turner (60) was appointed a non-executive director of Corus Group plc in 1999 on the merger of British Steel plc and Koninklijke Hoogovens NV. He serves on the Audit, Nominations and Remuneration committees. He joined the Board of British Steel plc in 1994 and served on the Audit and Remuneration committees. He was Group Marketing Director of Rolls-Royce plc until his retirement in June 2002, and is a non-executive director of Senior plc and a member of the Board of British Trade International.

Mr Maarten van Veen

Independent

Maarten van Veen (68) was appointed a non-executive director of Corus Group plc in 1999 on the merger of British Steel plc and Koninklijke Hoogovens NV. He is Chairman of the Health, Safety and Environment committee and serves on the Nominations and Remuneration committees. 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 Imtech NV. He is Chairman of the Royal Concertgebouw Orchestra.

Mr Henk Vrins

Executive Director

Henk Vrins (58) 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. He joined Koninklijke Hoogovens NV in 1969 and became a member of the Board of Management in 1992. He is a non-executive director of the International Aluminium Institute.

Audit committee

Jim Leng (Chairman)
Eric van Amerongen
Tony Hayward
Richard Turner

Health, Safety and Environment committee

Maarten van Veen (Chairman)
Eric van Amerongen
Tony Hayward
Sir Brian Moffat

Remuneration committee

Eric van Amerongen (Chairman)
Jim Leng
Richard Turner
Maarten van Veen

Nominations committee

Jim Leng (Chairman)
Sir Brian Moffat
Richard Turner
Maarten van Veen

Mr Richard Reeves

Secretary

Richard Reeves (57) is the Company Secretary of Corus Group plc and is Secretary of the Executive committee. He joined British Steel in 1989 as Company Secretary.

Report on remuneration

Role of the Remuneration committee and terms of reference

Having regard to the provisions of the Combined Code attached to the Listing Rules, the committee is authorised to determine the remuneration and the other terms and conditions of appointment of the executive directors and the Company Secretary, details of which are included later in this report. It is also authorised to grant options and to administer executive share options schemes in accordance with their rules.

Membership of the Remuneration committee

The committee comprises four members regarded by the Board as being independent, of whom three represent a quorum for any meeting.

The chairman is Mr E A van Amerongen who succeeded Mr H de Ruiter on his retirement on 22 April 2002. The other members are Mr J W Leng and Mr R T Turner, both of whom served throughout the year, and Mr M C van Veen who joined the committee on 22 April 2002.

During the year the committee met five times. The Chairman and the Chief Executive are invited to some or all of the meetings and the Company Secretary, who acts as secretary of the committee, attends all meetings. They do not attend when details relating to their own remuneration or terms and conditions of appointment are considered. No director or the Company Secretary is involved in remuneration committee decisions relating to his own remuneration.

Internal advice is provided directly or indirectly by executives from within secretariat, the human resources and finance functions, the Company Secretary, the Executive Director Human Resources and the Director Organisation and Management.

During the year external advice was provided by a number of companies as follows:

- Ernst & Young LLP were appointed by the committee in December 2002 to act as independent advisers to the committee covering all aspects of the committee's remit. They also provide financial advice to the Central Works Council of Corus Nederland BV.
- Towers Perrin were appointed by the Company with the agreement of the Remuneration committee in October 1999 to advise on matters relating to executive share schemes. They also provide advice to the Company on pensions and retirement plans in the Netherlands and Canada.
- Hay Group were appointed by the Company with the agreement of the Remuneration committee in October 1999 to advise on job evaluation, salary policy and relativities for executive directors and the Company Secretary. They also provide similar services across the whole Company in respect of other levels of management.

Remuneration policy

Principles

The Group's remuneration policy is formulated to attract and retain high

calibre executives and to motivate them to develop the Company's business successfully in each country where it operates. In order to achieve this, the executive remuneration policy is based on the following core principles:

- Total rewards are designed to support the Company's strategy and are set at levels that are competitive within the relevant market, taking each executive's total remuneration package as a whole.
- Incentive-based awards can only be earned through the achievement of demanding performance conditions consistent with the interests of the shareholders in the short, medium and longer term.
- Incentive plans and performance metrics are structured to be robust throughout the business cycle.
- The design of long term incentives is prudent and is designed to support the Company's business strategies.
- Total rewards are designed to maintain an appropriate balance between fixed and variable elements of compensation.

Elements of remuneration

The committee considers each element of remuneration relative to the market and takes into account the performance of the Company and each individual executive director in recommending quantum and design. The committee is currently reviewing long term incentives and may consider appropriate alternative

arrangements to be introduced following shareholder approval.

Basic salaries

Basic salaries are set on appointment by reference to independent advice on median salary levels for similar roles in other comparable international manufacturing companies and a job evaluation methodology is used to establish relevant benchmarks from external market data. They are then reviewed annually, taking account of individual performance and changes in the general market position.

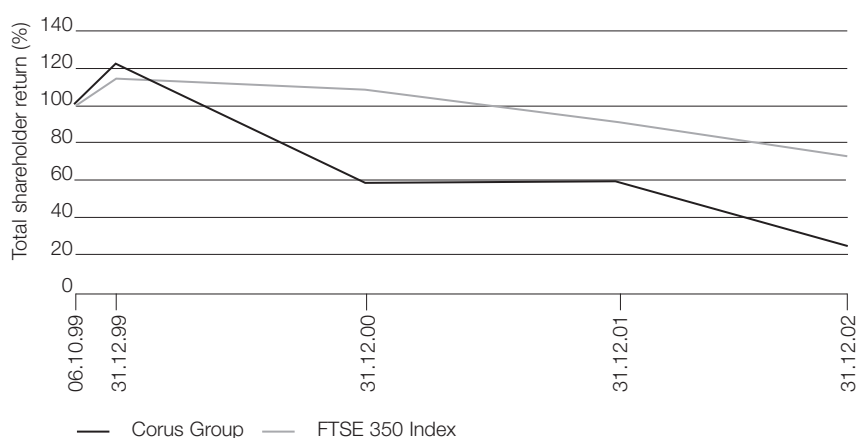
With one exception there were no increases awarded at the annual review on 1 January 2002 reflecting the difficult trading conditions experienced by the Company. The exception was the salary of the Executive Director, Finance whose initial salary on appointment in 2001 was increased to reflect market levels.

Annual incentive scheme

An annual incentive scheme was introduced in 2000 based on the financial performance of the Company against a pre-determined profit target. This scheme, which is non-contractual, is capped at a maximum of 50% of annual basic salary. Bonuses are not included in pensionable earnings for executive directors. In the year to 28 December 2002, no bonuses were earned under this scheme.

The committee has reviewed this scheme and has decided to introduce with effect from 1 January 2003 a new annual bonus plan which will reflect performance against financial operating targets and personal operating objectives set annually by the committee for each participant.

Performance graph – Corus Group TSR vs FTSE 350 Index



This graph shows the performance of the Company against the performance of the FTSE 350 Index, chosen as representing a broad equity market index consisting of companies of comparable size to Corus Group plc.

It has been assumed that all dividends paid have been reinvested, and share price averaging over a thirty-day period has been used to reduce the impact of short term equity-price volatility. This graph has been produced in the above form in order to comply with the relevant legislation and to clearly represent comparative Total Shareholder Return ('TSR') performance.

These will be suitably stretching. The bonus payable for 'good' performance will be 30% of salary, with a maximum potential bonus of 60% of salary for exceptional performance. The committee will reserve the right to cancel any bonus payments.

Any bonus payments payable in respect of 2003 and future years will be paid in two parts. One part, representing two-thirds of any bonus payment, will be paid in cash at the end of the financial year. The second part, representing one-third of any bonus payment, will be paid in shares which will be deferred for three years from the date of the cash payment and held in an employee benefit trust for the deferral period. If an executive leaves employment or is dismissed within the deferral period the shares will be forfeited. If termination is due to ill-health, disability, redundancy or

retirement, there will be an immediate release of the shares. The committee retains overall discretion regarding the release of deferred shares.

Share option scheme

The executive share option scheme was approved by shareholders in September 1999. It provides for options to be granted to a number of participants, including executive directors and the Company Secretary, up to a maximum of four times salary at any one time. Options may be granted by the committee on the recommendation of the Chief Executive or the Chairman in the case of the Chief Executive. No options were granted during 2002. Options may be exercised after the elapse of three years and before the expiry of ten years from the date of grant, subject to meeting the performance criteria.

All options granted under this scheme are subject to stretching performance measures relating to both Total Shareholder Return ('TSR') and a target relating to the return on shareholder funds. These performance criteria were chosen to reflect corporate performance relative to companies with similar characteristics and subject to similar market conditions, as well as to demonstrate the minimum return to shareholders required to justify the use of executive share options.

To meet the minimum TSR target, the Company must rank no lower than the median position when measured against a group of comparator companies (set out below). The minimum return on shareholder funds is 4% per annum (as stated in the accounts or otherwise confirmed by the Company's auditors).

The performance period for both targets is any 36 month period commencing within four years of the start of the financial year in which the option is granted. The exercise period is seven years starting from the third anniversary of the date of grant. Once either target has been met for any 36 month period, there need not be any further testing of that target in respect of that particular grant of options.

For the purposes of calculating TSR, it is assumed that dividends are reinvested. TSR data is compiled by Towers Perrin and reported on quarterly. The committee may amend the composition of the comparator group if circumstances make this necessary (for example as a result of takeovers or mergers).

The committee retains overall discretion regarding the vesting of share options on cessation of employment.

Performance criteria remain in place during the participant's employment, but cease to apply on retirement or redundancy.

Pensions

Pension and life insurance benefits reflect current practice in the UK and the Netherlands and are tailored to take account of historical obligations. Individual pension arrangements are set out on pages 40 and 41.

Benefits

Benefits in kind include the provision of a fully expensed car and medical insurance, and in some cases include the provision of tax advice. Relocation allowances are provided for a limited period where an individual is required

to relocate. Benefits in kind do not form part of pensionable earnings.

External appointments

Currently executive directors are permitted to hold up to two external directorships or offices with the approval of the Board, retaining the fees payable from such appointments, although no executive director currently holds more than one. This situation will be reviewed in the light of the Higgs Report recommendations.

Directors' service contracts

The service contracts of all executive directors are subject to a maximum of one year's notice on the part of the Company. These contracts are on a 12 month rolling basis and, therefore, the unexpired term is 12 months.

The contracts of executive directors contain a provision that sets out the compensation payable if the Company terminates the contract (other than for cause) or the executive resigns in circumstances where there has been a material adverse change in role, responsibilities or remuneration.

With the exception of Mr H A M Vrins compensation is based on the 12 month notice period. Mr H A M Vrins additionally would be entitled to

Comparator companies

ABB	CIBA Specialty Chemicals	HOLCIM 'B'	Pirelli	Smiths Group
Air Liquide	Clariant	ICI	PSA-Peugeot Citroen SA	Solvay SA
Akzo Nobel	CRH	Invensys	Renault	Suez
Alstom	Daimler Chrysler	Lafarge	Rolls Royce	Thales
Atlas Copco 'A'	Degussa	Lagardere	RWE	ThyssenKrupp
BAE Systems	Edison	Legrand	Saint Gobain	TUI
BASF	E.ON	Linde	Sandvik	Valeo SAL
Bayer	Fiat	MAN	Scania 'A'	Vivendi Universal
BMW	GKN	Michelin	Schneider	Volkswagen AG
BOC Group	Hanson	Pechiney 'A'	Siemens	Volvo 'B'
Bouygues	Heidelbergcement	Philips	Skanska	Wolsey

pre-pension payments until pension is payable at age 65, to provide gross income (relative to basic salary) of 63% in the event of termination prior to age 60, or net income (relative to basic salary) of 87.5% for termination between the ages of 60 and 65.

Further information regarding executive directors' service contracts is summarised in the table opposite.

Non-executive directors

Non-executive directors' fees, including additional fees for chairing Board committees, are reviewed bi-annually taking into account fees paid by comparable companies and the roles and responsibilities undertaken by the directors. These fees are determined by the executive directors.

Non-executive directors do not have service contracts with the Company.

Details of current directors' contracts or letters of appointment are set out opposite.

Emoluments of directors	12 months 2002 £	12 months 2001 £
Executive directors:		
Salaries and related benefits	1,697,777	1,616,248
Performance related earnings	-	-
Non-executive directors:		
Fees and related benefits (i)	472,289	811,955
Former directors:		
Compensation to directors for loss of office	-	165,164
	2,170,066	2,593,367

Note:

(i) The comparative includes Sir Brian Moffat's emoluments up to August 2001 relating to executive duties when he held the joint role of Chairman and Chief Executive.

	Date of contract or letter of appointment	Notice period
Executive director:		
A P Pedder	1 September 2001	12 months
D M Lloyd	1 February 2001	12 months
S I Pettifor	1 September 2001	12 months
H A M Vrins	6 December 2000	12 months
Non-executive director:		
Sir Brian Moffat	23 July 1999	None
J W Leng	22 February 2001	None
E A van Amerongen	12 June 2001	None
A Hayward	23 April 2002	None
R T Turner	23 July 1999	None
M C van Veen	23 July 1999	None

Notes:

- (i) The executive directors' contracts are on a 12 month rolling basis and, therefore, the unexpired term is 12 months.
(ii) As non-executive directors do not have service contracts, their unexpired term of appointment is determined in accordance with the articles of association which requires them to be re-appointed by shareholders at least every three years.

Directors' emoluments

The emoluments of the directors are as follows:

Analysis of executive directors' emoluments

	Notes	Basic salary and fees		Taxable benefits		Total	
		12 months 2002 £	12 months 2001 £	12 months 2002 £	12 months 2001 £	12 months 2002 £	12 months 2001 £
A P Pedder	1	550,000	410,000	21,586	24,047	571,586	434,047
D M Lloyd	2	320,000	252,083	55,613	17,465	375,613	269,548
S I Pettifor	3	320,000	106,667	25,137	3,351	345,137	110,018
H A M Vrins	4	320,000	324,155	85,441	92,281	405,441	416,436
F C W Briët		-	260,000	-	48,584	-	308,584
J L Rennocks		-	69,801	-	7,814	-	77,615
Sub total		1,510,000	1,422,706	187,777	193,542	1,697,777	1,616,248

Analysis of non-executive directors' emoluments

	Notes	Basic salary and fees		Taxable benefits		Total	
		12 months 2002 £	12 months 2001 £	12 months 2002 £	12 months 2001 £	12 months 2002 £	12 months 2001 £
Sir Brian Moffat	5	245,000	558,846	24,278	21,696	269,278	580,542
J W Leng	6	49,888	14,954	-	-	49,888	14,954
E A van Amerongen	7	32,549	18,207	-	-	32,549	18,207
A Hayward	8	20,808	-	-	-	20,808	-
R T Turner		29,081	27,000	-	-	29,081	27,000
M C van Veen		34,081	30,352	-	-	34,081	30,352
Sir Nicholas Goodison	9	9,969	32,000	-	-	9,969	32,000
R Hazelhoff		-	9,000	-	-	-	9,000
A A Loudon	9	8,411	27,000	-	-	8,411	27,000
B K Sanderson		-	14,400	-	-	-	14,400
H de Ruiter	9	18,224	58,500	-	-	18,224	58,500
Sub total		448,011	790,259	24,278	21,696	472,289	811,955
Grand total		1,958,011	2,212,965	212,055	215,238	2,170,066	2,428,203

Notes:

1. Mr Pedder was appointed Chief Executive from 1 September 2001 at a basic salary of £550,000 per annum.
2. Mr Lloyd was appointed a Director on 1 February 2001 at a basic salary of £275,000 per annum.
3. Mr Pettifor was appointed a Director on 1 September 2001 at a basic salary of £320,000 per annum.
4. Mr Vrins was appointed a Director on 5 December 2000 at a basic salary of £320,000 per annum.
5. Sir Brian Moffat's comparative emoluments include the period between December 2000 and August 2001 when he held the joint role of Chairman and Chief Executive.
6. Mr Leng was appointed a Director on 12 June 2001 and became the Senior Independent Director on 22 April 2002.
7. Mr van Amerongen was appointed a Director on 27 April 2001.
8. Dr Hayward was appointed a Director on 22 April 2002.
9. Up to the date of retirement during the year.

Directors' share options

The interests of the directors in share options are as follows:

		29 Dec 2001			Movement during the year			28 Dec 2002		
		Date of grant	Option price	Number	Granted Number	Exercised Number	Lapsed/ cancelled Number	Number	Exercise Period From	To
Executive share options										
Sir Brian Moffat	(a)	1994	107p	206,790	-	-	-	206,790	30 Jun 1997	30 Jun 2004
	(a)	1995	130p	179,973	-	-	-	179,973	30 Jun 1998	30 Jun 2005
	(b)	1996	138p	178,311	-	-	178,311	-	30 Jul 1999	30 Jul 2006
	(b)	1997	122p	215,229	-	-	215,229	-	24 Jul 2000	24 Jul 2007
				780,303	-	-	393,540	386,763		
A P Pedder	(a)	1993	74p	89,414	-	-	-	89,414	14 Jul 1996	14 Jul 2003
	(a)	1994	107p	111,761	-	-	-	111,761	30 Jun 1997	30 Jun 2004
	(a)	1995	130p	96,948	-	-	-	96,948	30 Jun 1998	30 Jun 2005
	(b)	1996	138p	95,925	-	-	-	95,925	30 Jul 1999	30 Jul 2006
	(b)	1997	122p	115,853	-	-	-	115,853	24 Jul 2000	24 Jul 2007
	(b)	1999	129p	228,225	-	-	-	228,225	30 Jun 2002	30 Jun 2009
	(c)	2000	120p	256,800	-	-	-	256,800	4 Feb 2003	4 Feb 2010
	(c)	2001	55p	309,000	-	-	-	309,000	28 Mar 2004	28 Mar 2011
			1,303,926	-	-	-	1,303,926			
D M Lloyd	(a)	1994	107p	11,750	-	-	-	11,750	30 Jun 1997	30 Jun 2004
	(a)	1995	130p	10,601	-	-	-	10,601	30 Jun 1998	30 Jun 2005
	(a)	1996	138p	2,554	-	-	-	2,554	30 Jul 1999	30 Jul 2006
	(b)	1996	138p	8,685	-	-	-	8,685	30 Jul 1999	30 Jul 2006
	(b)	1997	122p	15,455	-	-	-	15,455	24 Jul 2000	24 Jul 2007
	(b)	1999	129p	52,879	-	-	-	52,879	30 Jun 2002	30 Jun 2009
	(c)	2000	120p	78,900	-	-	-	78,900	4 Feb 2003	4 Feb 2010
	(c)	2001	55p	497,200	-	-	-	497,200	28 Mar 2004	28 Mar 2011
			678,024	-	-	-	678,024			
S I Pettifor	(b)	1996	138p	40,746	-	-	-	40,746	30 Jul 1999	30 Jul 2006
	(c)	2001	50p	640,000	-	-	-	640,000	28 Mar 2004	28 Mar 2011
			680,746	-	-	-	680,746			
H A M Vrins	(c)	2000	120p	216,100	-	-	-	216,100	4 Feb 2003	4 Feb 2010
	(c)	2001	55p	470,100	-	-	-	470,100	28 Mar 2004	28 Mar 2011
			686,200	-	-	-	686,200			

(a) Options granted under the Corus UK Executive Share Option Scheme (a former British Steel scheme). Options can no longer be granted under the scheme.

(b) Options granted under the Corus Overseas Executive Share Option Scheme (a former British Steel scheme). Options can no longer be granted under the scheme.

(c) Options granted under the Corus Executive Scheme.

Notes:

(i) No executive options were granted or lapsed other than those stated above.

(ii) No options were exercised during the financial years ended 29 Dec 2001 and 28 Dec 2002.

(iii) The market price of the Company's shares at 28 Dec 2002 was 27p (29 Dec 2001: 74p) and the range during the year to that date was 22p to 90p (29 Dec 2001: 40p to 82½p).

(iv) Options granted prior to July 1996 are not subject to performance criteria.

(v) There were no changes in executive options between the year end and 13 March 2003.

Sharesave options

	Date of grant	Option price	29 Dec 2001	Movement during the year			28 Dec 2002	Exercise Period
			Number	Granted Number	Exercised Number	Lapsed/cancelled Number	Number	
A P Pedder	1998	88p	7,799	–	–	–	7,799	Apr–Sep 2003
	2001	51p	13,762	–	–	–	13,762	Jul–Dec 2006
			21,561	–	–	–	21,561	
D M Lloyd	2001	51p	13,016	–	–	–	13,016	Jul–Dec 2004
			13,016	–	–	–	13,016	

Notes:

- (i) No executive directors, other than those listed above, hold sharesave options.
- (ii) No options were granted or lapsed.
- (iii) No options were exercised during the financial years ended 29 Dec 2001 and 28 Dec 2002.
- (iv) The market price of the Company's shares at 28 Dec 2002 was 27p (29 Dec 2001: 74p) and the range during the year to that date was 22p to 90p (29 Dec 2001: 40p to 82½p).
- (v) There were no changes to sharesave options between the year end and 13 March 2003.

Share dilution through the operation of share plans

Where shares are issued to satisfy incentives, the aggregate dilution resulting from executive incentives will not exceed 5% in any 10 year period, and that resulting from all incentives, including all-employee incentives, will not exceed 10% in any 10 year period.

Loans to directors

There is outstanding an interest free loan from Corus Nederland BV to Mr M C van Veen which pre-dates the merger between Koninklijke Hoogovens and British Steel. This loan was in accordance with the practice within Hoogovens and was made at the time Mr van Veen relocated at the Company's request. The Companies Act 1985 allows for subsisting loans from overseas subsidiaries in existence at the date of appointment to remain in place.

At the beginning of the year this loan amounted to €39,933 which was the highest amount outstanding during the year. During the year €908 was repaid, leaving a balance at the year end of €39,025. The loan is repayable by 2030.

There is another loan outstanding to a former director (2001: two former directors) which at 31 December 2002 amounted to €30,252 (31 Dec 2001: €75,826).

Pensions

UK

Mr Pedder, Mr Lloyd and Mr Pettifor are members of the British Steel Pension Scheme and of the supplementary section for senior managers. This is a defined benefits scheme which provides one sixtieth of the final pensionable earnings for each year of pensionable service. It is separately funded and subject to Inland Revenue rules. Normal pension age is 60 and additional credits will be granted to achieve 40 years pensionable service at age 60 for Mr Lloyd and Mr Pettifor and 41 years 1 month for Mr Pedder. Bonuses and benefits in kind are not included in pensionable earnings except in the case of Mr A P Pedder where bonuses were pensionable up to 6 October 1999.

Netherlands

Mr H A M Vrins is a member of the Stichting Pensioenfonds Hoogovens pension scheme which provides a pension at age 65 of 63% of salary at retirement. It also provides an early retirement pension from age 62 to 65. Since the scheme limits pensionable earnings to €201,394, additional arrangements have been made to provide pension benefits in respect of that part of earnings exceeding this limit through defined benefit plans.

Excess retirement benefits

No person who served as a director of the Company during or before 2002 has been paid or received retirement benefit in excess of the retirement benefits to which he was entitled on the date on which benefits first became payable.

Pension benefits earned by directors – UK

As required in the London Stock Exchange Listing Rules	Director's age at year end	Director's pension contributions during year £	Increase in accrued pension during year £ p.a.	Accumulated total accrued pension at year end £ p.a.
A P Pedder	53	27,500	32,305	203,720
D M Lloyd	39	16,000	23,360	59,846
S I Pettifor	57	15,945	13,327	139,559

Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year on retirement at normal pension age, based on service to 28 Dec 2002.
- (ii) The details shown have been calculated as at 29 Dec 2001 and 28 Dec 2002 and exclude the amount and value of any additional voluntary contributions paid by the director. The increases in accrued pension during the year ended 28 Dec 2002 have been adjusted to take account of inflation on the accumulated total accrued pension.
- (iii) Normal pension age for the directors is age 60.
- (iv) The pension for a surviving widow is two-thirds of the director's pension.
- (v) An immediate pension is payable on early retirement on or after age 50 if retirement is at the request of the Company.
- (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.

As defined in the Directors' Remuneration Regulations 2002 disclosure	Increase in accrued pension during year £	Total accrued entitlement at year end £ p.a.	Transfer value as at year end £	Transfer value as at beginning of year £	Increase in transfer value during year less director's contributions £
A P Pedder	34,504	203,720	2,333,310	2,271,607	34,203
D M Lloyd	23,828	59,846	325,996	257,137	52,859
S I Pettifor	14,946	139,559	2,143,818	1,984,733	143,140

Notes:

- (i) The increase in each director's transfer value net of members' contributions was offset partly by the fall in investment markets over the year.
- (ii) The increase in accrued pension during the year in accordance with the above regulations differs from the listing rules requirements because no account is taken of inflation.

Pension benefits earned by directors – Netherlands

As required in the London Stock Exchange Listing Rules	Director's age at year end	Increase in accrued early retirement pension (age 62 to 65) during year €	Accumulated total accrued pension (age 62 to 65) at year end € p.a.	Decrease in accrued pension (from age 65) during the year € p.a.	Accumulated total accrued pension (from age 65) at year end € p.a.
H A M Vrins	58	77,806	252,328	(2,473)(iii)	281,381

Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year based on service at 28 Dec 2002.
- (ii) The details shown have been calculated as at 29 Dec 2001 and 28 Dec 2002 and exclude the amount and value of any additional voluntary contributions paid by the director.
- (iii) The increase in accrued pension during the year is negative because there was no increase in pensionable salary from 2001 to 2002 and the resulting small increase becomes negative after adjustments of the accumulated total accrued pension for inflation of 4.4% during the year.
- (iv) Pension contributions in respect of the executive director are paid by the Company.
- (v) Widow's pension is three-quarters of the director's pension at normal pension age (65).
- (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.

As defined in the Directors' Remuneration Regulations 2002 disclosure	Increase in accrued pension during year €	Accumulated total accrued pension at year end € p.a.	Transfer value of total accrued pension at year end €	Transfer value of total accrued pension at beginning of year €	Increase in transfer value during year less director's contributions €
H A M Vrins					
Early retirement (age 62 to 65)	85,225	252,328	599,784	378,321	221,463
Normal retirement (age 65)	9,594	281,381	3,000,156	2,789,213	210,943

Note:

- (i) The increase in accrued pension during the year in accordance with the above regulations differs from the listing rules requirements because no account is taken of inflation.

Sums paid to a third party in respect of a director's service

No consideration was paid to or became receivable by third parties for making available the services of any person as a director of the Company, while a director of the Company, as a director of any of the Company's subsidiary undertakings, as a director of any other undertaking of which he was (while a director of the Company) a director by virtue of the company's nomination, or otherwise in connection with the management of the Company or any such other undertaking during the year to 28 December 2002.

Directors' interests in shares

The beneficial interests of the directors who held office at 28 December 2002 and their families in the ordinary shares of the Company are set out opposite.

None of the directors or their families had any interests in the shares of any subsidiary company.

On behalf of the Board

Richard Reeves
Secretary
14 March 2003

Directors' interests in shares of the Company

	28 Dec 2002 No of shares	29 Dec 2001 No of shares
Sir Brian Moffat	250,764	250,764
J W Leng	-	-
A P Pedder	101,692	98,794
E A van Amerongen	-	-
A Hayward	13,193	2,000†
D M Lloyd	4,250	1,352
S I Pettifor	20,000	-
R T Turner	6,501	6,501
M C van Veen	13,101	13,101
H A M Vrins	6,478	6,478

† Interests held in shares at the date of appointment.

Notes:

- (i) None of the directors held non-beneficial interests at any time during the year.
- (ii) During the period from the year end to 13 March 2003 Mr A P Pedder and Mr D M Lloyd have each acquired 1,125 partnership shares under the employee share ownership plan.

Auditable sections of the Report on remuneration

The following sections constitute the auditable part of the Report on remuneration, as defined in Part 3, Schedule 7a of the Companies Act 1985: paragraphs relating to 'Performance criteria for share options'; table headed 'Emoluments of directors'; table headed 'Analysis of

executive directors' emoluments'; table headed 'Analysis of non-executive directors' emoluments'; table headed 'directors' share options'; table headed 'Sharesave options'; paragraphs headed 'Loans to directors'; tables headed 'Pension benefits earned by directors - UK'; and tables headed 'Pension benefits earned by directors - Netherlands'.

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 year 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 year and of the profit or loss of the Group for the financial year.

The financial statements have been prepared on a going concern basis. However, the Group currently has bank facilities in place only until 30 January 2004 and is in discussion with its bankers regarding a new three year facility. More detail on this issue is provided on page 51 'Basis of preparation'.

The directors consider that in preparing the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the consolidated cash flow statement, the reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds, the analysis of net borrowings, the presentation of accounts and accounting policies and the notes to the accounts, 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.

A copy of the financial statements is placed on the website of Corus Group plc. The executive management are responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Richard Reeves
Secretary
14 March 2003

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 statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the consolidated cash flow statement, the reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds, the analysis of net borrowings, the presentation of accounts and accounting policies, the notes to the accounts and the supplementary information for North American investors. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the report on remuneration ("the auditable part").

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. The directors are also responsible for preparing the report on remuneration.

Our responsibility is to audit the financial statements and the auditable part of the report on remuneration in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the report on remuneration have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 comprises only the chairman's statement, the review of the period, the financial review, the board, the executive committee, the directors' report, the unaudited part of the report on remuneration, five year financial summary, some important data in euros, analysis of shareholdings at 28 December 2002, the glossary and information for shareholders. Other key data is not included.

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 of the Financial Services Authority, 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 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 and the auditable part of the report on remuneration. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report 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.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis, which assumes that the Group's bankers continue their support by providing new facilities acceptable to the Group to replace the existing syndicated facilities and the Group's continuing ability to comply with the terms of its banking arrangements. The financial statements do not include any adjustments that would result from a failure to obtain this support and funding. Details of the circumstances relating to this fundamental uncertainty are described in presentation of accounts and accounting policies, Note I, basis of preparation. Our opinion is not qualified in this respect.

United Kingdom Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs and the Group at 28 December 2002 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the report on remuneration required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

United States Opinion

In our opinion the financial statements present fairly, in all material respects, the consolidated financial position of the Group at 28 December 2002, 29 December 2001 and 30 December 2000 and the results of its operations, and its cash flows for each of the periods ended 28 December 2002, 29 December 2001 and 30 December 2000, 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 net income, shareholders' equity and cash flows is shown in the supplementary information for North American investors.

As discussed in presentation of accounts and accounting policies, Note I, basis of preparation, the Company requires their bankers' continued support to provide new facilities acceptable to the Group to replace the existing syndicated facilities and assumes the Group's continuing ability to comply with the terms of its banking arrangements. Management's plans in regard to these matters are also described in presentation of accounts and accounting policies, Note I, basis of preparation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
14 March 2003

Consolidated profit and loss account

For the financial period ended 28 December 2002	Note	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
		£m	£m	£m	£m	£m
Turnover: group and share of joint ventures		7,407	7,924	12,153	9,851	2,302
Less: share of joint ventures' turnover	1	(219)	(225)	(455)	(342)	(113)
Group turnover	1					
Continuing operations		7,188	7,619	9,952	8,042	1,910
Discontinued operations		–	80	1,746	1,467	279
		7,188	7,699	11,698	9,509	2,189
Operating costs before exceptional items		(7,581)	(8,076)	(11,821)	(9,524)	(2,297)
Rationalisation and impairment exceptional items charged against operating costs	3	(53)	(8)	(1,033)	(1,018)	(15)
Total operating costs	2	(7,634)	(8,084)	(12,854)	(10,542)	(2,312)
Group operating loss	1					
Continuing operations		(446)	(388)	(1,306)	(1,171)	(135)
Discontinued operations		–	3	150	138	12
		(446)	(385)	(1,156)	(1,033)	(123)
Share of operating results of joint ventures and associated undertakings:	5					
Continuing operations		4	10	–	1	(1)
Discontinued operations		17	2	–	1	(1)
		21	12	–	2	(2)
Total operating loss		(425)	(373)	(1,156)	(1,031)	(125)
Profit on disposal of fixed assets	1	96	17	5	2	3
Profit on disposal of group undertakings	35	19	2	–	–	–
Loss on ordinary activities before interest	1	(310)	(354)	(1,151)	(1,029)	(122)
Net interest and investment income:						
Group	6	(92)	(103)	(118)	(100)	(18)
Joint ventures and associated undertakings	5	(2)	(5)	(6)	(6)	–
Loss on ordinary activities before taxation		(404)	(462)	(1,275)	(1,135)	(140)
Taxation	7	(61)	43	286	246	40
Loss on ordinary activities after taxation		(465)	(419)	(989)	(889)	(100)
Minority interests		7	–	(53)	(51)	(2)
Loss for the financial period		(458)	(419)	(1,042)	(940)	(102)
Dividends	9	–	–	(31)	(31)	–
Loss retained for the financial period	27	(458)	(419)	(1,073)	(971)	(102)
Basic loss per ordinary share	10	(14.65)p	(13.42)p	(33.50)p	(30.19)p	(3.31)p
Diluted loss per ordinary share	10	(14.65)p	(13.42)p	(33.50)p	(30.19)p	(3.31)p

There were no material acquisitions in the period.

Notes and related statements forming part of these accounts appear on pages 51 to 92; Note 27 sets out the movements on reserves.

Balance sheets

At 28 December 2002	Note	The Company			The Group		
		28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Fixed assets							
Intangible assets	11	-	-	-	105	135	152
Tangible assets	12	-	-	-	2,871	3,064	3,763
Investments in subsidiary undertakings	13	3,167	3,159	3,159	-	-	-
Investments in joint ventures:							
Share of gross assets		-	-	-	200	339	370
Share of gross liabilities		-	-	-	(116)	(211)	(228)
Investments in associated undertakings		-	-	-	84	128	142
Other investments and loans		-	49	-	7	358	11
	13	-	49	-	59	65	75
		3,167	3,208	3,159	3,126	3,750	4,143
Current assets							
Stocks	14	-	-	-	1,337	1,320	1,719
Debtors: amounts falling due after more than one year	15	3	3	-	457	468	378
Debtors: amounts falling due within one year		-	3	-	1,422	1,396	1,885
Less: securitisation of trade debtors		-	-	-	(181)	-	-
Net debtors falling due within one year	16	-	3	-	1,241	1,396	1,885
Short term investments	17	-	-	-	40	11	42
Cash at bank and in hand		-	-	-	230	173	231
		3	6	-	3,305	3,368	4,255
Creditors: amounts falling due within one year	18	(17)	(6)	(5)	(1,636)	(1,729)	(1,834)
Net current (liabilities)/assets		(14)	-	(5)	1,669	1,639	2,421
Total assets less current liabilities		3,153	3,208	3,154	4,795	5,389	6,564
Convertible bonds		(196)	-	-	(309)	(109)	(115)
Other borrowings		-	(86)	-	(1,119)	(1,503)	(1,651)
Other creditors		(226)	(375)	(433)	(36)	(34)	(71)
Creditors: amounts falling due after more than one year	19	(422)	(461)	(433)	(1,464)	(1,646)	(1,837)
Provisions for liabilities and charges	25	-	-	-	(522)	(576)	(795)
Accruals and deferred income		-	-	-	(40)	(46)	(57)
Regional development and other grants		-	-	-	(40)	(46)	(57)
		2,731	2,747	2,721	2,769	3,121	3,875
Capital and reserves							
Called up share capital	26	1,565	1,564	1,561	1,565	1,564	1,561
Share premium account	27	7	5	5	7	5	5
Statutory reserve	27	-	-	-	2,338	2,338	2,338
Other reserves	27	796	796	796	201	201	201
Profit and loss account	27	363	382	359	(1,389)	(1,047)	(610)
Shareholders' funds – equity interests	27	2,731	2,747	2,721	2,722	3,061	3,495
Minority interests		-	-	-	47	60	380
Equity interests in subsidiary undertakings		-	-	-	47	60	380
		2,731	2,747	2,721	2,769	3,121	3,875

Sir Brian Moffat
D M Lloyd
14 March 2003

Notes and related statements forming part of these accounts appear on pages 51 to 92.

Statement of total recognised gains and losses

For the financial period ended 28 December 2002	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Loss for financial period	(458)	(419)	(1,042)	(940)	(102)
Exchange translation differences on foreign currency net investments:					
Group	84	(58)	(27)	14	(41)
Joint ventures and associated undertakings	(1)	–	(5)	(4)	(1)
Total recognised losses relating to the period	(375)	(477)	(1,074)	(930)	(144)

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Reconciliation of movements in shareholders' funds

At 28 December 2002	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Shareholders' funds at beginning of period	3,061	3,495	3,923
Loss for the period	(458)	(419)	(1,042)
Dividends	–	–	(31)
Exchange translation differences on foreign currency net investments	83	(58)	(32)
Transfer of goodwill (Note 35)	33	40	–
New shares issued	3	3	1,371
Cash and loan notes to shareholders	–	–	(694)
Shareholders' funds at end of period	2,722	3,061	3,495

Notes and related statements forming part of these accounts appear on pages 51 to 92.

Consolidated cash flow statement

		12 months 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
For the financial period ended 28 December 2002	Note	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities	31	41	172	100	316	(216)
Dividends from joint ventures and associated undertakings		8	9	6	5	1
Returns on investments and servicing of finance						
Interest and other dividends received		15	16	45	33	12
Interest paid		(97)	(124)	(132)	(127)	(5)
Issue costs of new loans		(4)	–	–	–	–
Interest element of finance lease rental payments		(1)	(2)	(6)	(4)	(2)
Dividends paid to minority shareholders in subsidiary undertakings		–	–	(19)	(19)	–
Net cash (outflow)/inflow from returns on investments and servicing of finance		(87)	(110)	(112)	(117)	5
Taxation						
UK corporation tax received/(paid)		2	5	57	71	(14)
Overseas tax (paid)/received		(16)	8	(14)	(29)	15
Tax (paid)/received		(14)	13	43	42	1
Capital expenditure and financial investment						
Purchase of tangible fixed assets		(176)	(167)	(410)	(320)	(90)
Sale of tangible fixed assets		112	37	44	32	12
Purchase of intangible fixed assets		(1)	–	–	–	–
Purchase of other fixed asset investments		(7)	(3)	–	–	–
Sale of other fixed asset investments		–	–	76	73	3
Loans to joint ventures and associated undertakings		–	–	(6)	(4)	(2)
Repayment of loans from joint ventures and associated undertakings		15	3	5	3	2
Net cash outflow from capital expenditure and financial investment		(57)	(130)	(291)	(216)	(75)
Acquisitions and disposals						
Purchase of subsidiary undertakings and businesses	34	–	–	(286)	(106)	(180)
Net (overdraft)/cash acquired with subsidiary undertakings and businesses	34	(5)	–	41	20	21
Investments in joint ventures and associated undertakings		(3)	(12)	(18)	(17)	(1)
Sale and exchange of businesses and subsidiary undertakings	35	2	52	4	2	2
Sale of joint ventures and associated undertakings	35	451	9	–	–	–
Net cash inflow/(outflow) from acquisitions and disposals		445	49	(259)	(101)	(158)
Equity dividends paid to shareholders		–	–	(31)	(31)	–
Net cash inflow/(outflow) before use of liquid resources and financing		336	3	(544)	(102)	(442)
Management of liquid resources						
Net (purchase)/sale of short term investments		(28)	27	1,091	67	1,024
Net cash (outflow)/inflow from management of liquid resources		(28)	27	1,091	67	1,024
Financing						
Issue of ordinary shares		3	–	11	11	–
Cash to shareholders		–	–	(689)	(3)	(686)
Share issue expenses		–	–	(6)	–	(6)
Cash inflow/(outflow) from issue of ordinary shares		3	–	(684)	8	(692)
New loans		231	282	339	226	113
Repayment of borrowings		(508)	(333)	(101)	(29)	(72)
New finance leases		25	–	–	–	–
Capital element of finance lease rental payment		(14)	(9)	(23)	(21)	(2)
(Decrease)/increase in debt		(266)	(60)	215	176	39
Net cash (outflow)/inflow from financing activities		(263)	(60)	(469)	184	(653)
Increase/(decrease) in cash in period		45	(30)	78	149	(71)

Notes and related statements forming part of these accounts appear on pages 51 to 92.

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

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
For the financial period ended 28 December 2002					
Increase/(decrease) in cash	45	(30)	78	149	(71)
Increase/(decrease) in liquid resources	28	(27)	(1,091)	(67)	(1,024)
Decrease/(increase) in debt	266	60	(215)	(176)	(39)
Issue costs of new loans	4	–	–	–	–
Change in net funds resulting from cash flows in period	343	3	(1,228)	(94)	(1,134)
Debt and liquid resources (acquired)/exchanged	(4)	103	(621)	(20)	(601)
Effect of foreign exchange rate changes	(24)	10	12	(4)	16
Other non cash changes	9	–	–	–	–
Movement in net funds in period	324	116	(1,837)	(118)	(1,719)
Net (debt)/funds at beginning of period	(1,560)	(1,676)	161	(1,558)	161
Net debt at end of period	(1,236)	(1,560)	(1,676)	(1,676)	(1,558)

Analysis of net borrowings

	30 Dec 2000 £m	Deconsolidation of Avesta Sheffield (excluding cash and overdrafts) £m	Cash flow £m	Other changes £m	Exchange rate changes £m	29 Dec 2001 £m	Acquisitions (excluding cash and overdrafts) £m	Cash flow £m	Exchange rate changes £m	Other non cash changes £m	28 Dec 2002 £m
Cash at bank and in hand	231	–	(61)	–	3	173	–	54	3	–	230
Bank overdrafts	(58)	–	31	–	–	(27)	–	(9)	–	–	(36)
(Decrease)/increase in cash		–	(30)				–	45			
Short term investments:											
Deposits within 3 months of maturity when acquired	40	(4)	(33)	–	1	4	–	35	–	–	39
Other short term deposits	2	–	6	–	(1)	7	–	(7)	1	–	1
Decrease/(increase) in liquid resources		(4)	(27)				–	28			
Long term borrowings	(1,732)	103	(35)	70	8	(1,586)	(2)	216	(23)	9	(1,386)
Other loans	(119)	2	86	(70)	–	(101)	(2)	65	(3)	–	(41)
Obligations under finance leases	(40)	2	9	–	(1)	(30)	–	(11)	(2)	–	(43)
Decrease/(increase) in debt		107	60				(4)	270			
	(1,676)	103	3	–	10	(1,560)	(4)	343	(24)	9	(1,236)

Notes and related statements forming part of these accounts appear on pages 51 to 92.

Presentation of accounts and accounting policies

I Basis of preparation

In the twelve month period to 28 Dec 2002, the Group partly met its day to day working capital requirements through a syndicated revolving multi-currency loan facility ('syndicated facility'). At 28 Dec 2002 this facility was €1,860m of which €455m was utilised. The facility was reduced following the period end, on 30 Dec 2002, by voluntary cancellation of €460m, of which €260m would have matured in Jan 2003 and €100m in Mar 2003. The facility now stands at €1,400m. This facility contains two financial covenants: that the Group gearing ratio (based on net tangible worth) should not exceed 75%; and, that net tangible worth should not be less than £2,500m. At 28 Dec 2002 net gearing was 46% and net tangible worth was £2,664m. This facility expires on 30 Jan 2004.

On 23 Oct 2002 the Company announced that it had agreed in principle to the sale of its aluminium rolled products and extrusions businesses and that a definitive sale and purchase agreement would be entered into following completion of internal consultation, advice and approval processes. The Supervisory Board of Corus Nederland BV decided on 10 Mar 2003 to reject the recommendation to proceed with the sale, and a petition to the Enterprise Chamber of the Amsterdam Court of Appeal to set this decision aside was unsuccessful.

The Group's future strategy is focused on eliminating the Group's losses in the UK. This will inevitably lead to significant further capacity reductions and concentration of operations onto fewer sites. A review by the Board is currently in progress and an announcement on its findings will be made as soon as possible. It was intended that the proceeds of the sale of the aluminium businesses would provide the capacity to finance the measures needed in the UK. However, in the light of the failure to gain approval for the sale, the Group will need to look afresh for finance from equity and debt providers and from the proceeds of disposals of non-core assets. The timing and extent of the further actions to be taken will be largely dependent upon the availability of such further financing.

In parallel with the sale of aluminium, discussions were well advanced with the Group's bankers on both an extension to the existing syndicated facility and a new three year facility. Discussions will now take place with the Group's bankers on a new three year facility that will take into account the Group's operational requirements based on its business plans, revised in the light of the sale of the aluminium businesses no longer taking place, and having regard to other financing and strategic options available to the Group. In the light of the information currently available, the directors believe that it should be possible to agree new facilities with the banks that are acceptable to the Company to be available before the existing facilities expire.

The financial statements have been prepared on a going concern basis, which assumes that the Group's bankers continue their support by providing new facilities acceptable to the Group to replace the existing syndicated facilities. Should the banks not support the Group in this respect, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors presently cannot be certain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

The financial statements 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 show the accounts of the Company itself and the consolidated position of the Group. All policies have been consistently applied.

The preparation of accounts in line with generally accepted accounting principles requires management to make estimates and assumptions that affect the:

- (i) reported amounts of assets and liabilities;
- (ii) disclosure of contingent assets and liabilities at the date of the accounts; and
- (iii) reported amounts of income and expenses during the reporting period.

Actual results could differ from those estimates. The most significant techniques for estimation are described in the accounting policies below.

II Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow statement include the Company and its subsidiaries. They also include the Group's share of the profits, net assets and retained post acquisition reserves of joint ventures and associates. These 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 from the date of acquisition or up to the date of their disposal.

On the acquisition of a subsidiary, joint venture or associate, fair values are attributed to the net assets acquired. Any difference between the purchase consideration and these fair values is treated as goodwill. Until 28 Mar 1998 all goodwill was written off or credited to reserves immediately.

As from the financial year ending 3 Apr 1999, positive goodwill is capitalised and amortised over its estimated useful economic life up to a maximum of 20 years. Negative goodwill is recognised in the profit and loss account in line with the periods in which the assets acquired are depreciated. Any goodwill that was written off or credited immediately to reserves up until 28 Mar 1998 has not been reinstated. However, it is transferred from reserves to the profit and loss account on any subsequent disposal of the net assets to which it related.

Corus Group plc acquired Corus UK Limited in 1999 under a Scheme of Arrangement of Corus UK Limited within section 425 of the Companies Act 1985 (the 'Act'). This was accounted for under the principles of merger accounting, although it did not satisfy all the conditions required by Schedule 4 of the Act. In the opinion of the directors, the Scheme of Arrangement was a Group restructuring rather than an acquisition since the shareholders of Corus Group plc were the same as the former shareholders of Corus UK Limited and the relative rights of each shareholder were unchanged. So, the directors consider if merger accounting had not been used these accounts would not give a true and fair view of the Group's results and financial position demanded by section 227(6) of the Act. It is not considered practical to quantify the effect of the departure from the requirement of Schedule 4A.

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 and environmental remediation

The costs of rationalisation and related measures and environmental remediation are provided for where a constructive obligation has arisen prior to the balance sheet date. Estimates of the costs involved are based on prior experience of similar events and third party advice where applicable.

V Research and development

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

VI Government grants

Grants related to expenditure on tangible fixed assets are credited to the profit and loss account over the useful economic 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.

VII 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.

VIII Deferred taxation

The Group makes full provision for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. Deferred tax assets and liabilities are discounted. Deferred tax debit and credit balances are offset to the extent that they relate to taxes levied by the same tax authority and they are in the same taxable entity, or a group of taxable entities where the tax losses of one entity can reduce the taxable profits of another.

IX 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 and cash flows in foreign currencies are translated into sterling at the average rates for the financial period.

Exchange differences on 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 settled 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 period.

X 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 and commodity futures, 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 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 transactions.

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.

XI 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 for the cost of

disposal. Provisions are made to cover slow moving and obsolescent items based on historical experience of utilisation on a category by category basis.

XII Tangible fixed assets

Tangible fixed assets are recorded at original cost less accumulated depreciation. If assets are 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.

XIII Depreciation and impairment 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 economic 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 steelmaking	maximum 25 years
Other	maximum 15 years
IT equipment	maximum 8 years
Office equipment and furniture	10 years
Motor vehicles	4 years
Goodwill	maximum 20 years
Patents and trademarks	4 years

Tangible and intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. These reviews assess the recoverable amount 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 in the period, of 9.5%, was based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant units.

XIV Fixed asset investments

In the Group's balance sheet, shares in joint ventures and associates are stated at the Group's share of net assets and the unamortised portion of any goodwill arising on these investments. Loans and other investments are stated at cost.

In the Company's 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 against investments 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.

XV Own shares held under trust

The amount recorded in the balance sheet for shares in the Company purchased for employee sharesave schemes represents the amounts receivable from option holders on exercise of the options. The Group has taken advantage of the exemption within Urgent Issues Task Force (UITF) Abstract 17 not to apply the requirement therein to Inland Revenue approved savings-related share option schemes and equivalent overseas schemes.

XVI 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 the profit and loss account so as to spread the surplus or 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. This accounting policy follows the principles of SSAP 24. As indicated on page 20 of the Review of the period the measurement criteria of FRS 17 have not been adopted early.

Notes to the accounts

1. Segmental analysis

Turnover by location of Group entity is set out below:

	Joint venture turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom turnover	50	45	55	42	13
Other European turnover	169	177	305	232	73
North America turnover	–	3	95	68	27
Total turnover	219	225	455	342	113

	Group turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom gross turnover	3,267	3,573	5,444	4,439	1,005
Less: inter-segment turnover	(286)	(323)	(825)	(686)	(139)
	2,981	3,250	4,619	3,753	866
Other European gross turnover	3,560	3,703	5,825	4,728	1,097
Less: inter-segment turnover	(234)	(169)	(366)	(296)	(70)
	3,326	3,534	5,459	4,432	1,027
North America gross turnover	671	723	1,315	1,060	255
Less: inter-segment turnover	(32)	(53)	(71)	(55)	(16)
	639	670	1,244	1,005	239
Other areas	242	245	376	319	57
Total turnover	7,188	7,699	11,698	9,509	2,189

Of the above the following relates to discontinued operations:

	Group turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom gross turnover	–	32	691	573	118
Less: inter-segment turnover	–	(17)	(376)	(308)	(68)
	–	15	315	265	50
Other European gross turnover	–	60	1,269	1,059	210
Less: inter-segment turnover	–	(7)	(103)	(80)	(23)
	–	53	1,166	979	187
North America gross turnover	–	11	241	202	39
Less: inter-segment turnover	–	–	–	–	–
	–	11	241	202	39
Other areas	–	1	24	21	3
Total turnover	–	80	1,746	1,467	279

1. Segmental analysis continued

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

	Joint venture turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom	53	42	48	35	13
European Union (excluding UK)	105	108	133	109	24
Europe (excluding EU)	61	72	179	130	49
North America	–	3	95	68	27
	219	225	455	342	113

	Group turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom	2,071	2,291	3,274	2,635	639
European Union (excluding UK)	3,337	3,539	5,477	4,469	1,008
Europe (excluding EU)	321	360	541	455	86
North America	881	889	1,647	1,328	319
South America	44	63	79	65	14
Africa	81	104	103	75	28
Asia	429	426	512	434	78
Australasia	24	27	65	48	17
	7,188	7,699	11,698	9,509	2,189
Included above:					
Exports from the United Kingdom	1,304	1,384	2,338	1,929	409
Sales to joint ventures and associated undertakings	135	137	187	149	38

Of the above the following relates to discontinued operations:

	Group turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
United Kingdom	–	9	201	166	35
European Union (excluding UK)	–	47	1,012	856	156
Europe (excluding EU)	–	6	126	108	18
North America	–	12	258	214	44
South America	–	–	11	10	1
Africa	–	–	7	6	1
Asia	–	5	109	88	21
Australasia	–	1	22	19	3
	–	80	1,746	1,467	279
Included above:					
Sales to joint ventures and associated undertakings	–	–	43	28	15

1. Segmental analysis continued**Business segment analysis of turnover is set out below:**

	Joint venture turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Carbon steel	219	217	390	292	98
Stainless steel – discontinued operations	–	8	65	50	15
Total	219	225	455	342	113

	Group turnover				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Carbon steel	6,231	6,534	8,725	7,016	1,709
Aluminium	957	1,085	1,227	1,026	201
Stainless steel – discontinued operations	–	80	1,746	1,467	279
Total	7,188	7,699	11,698	9,509	2,189

Historical turnover on the stainless steel segment related entirely to sales of the subsidiary Avesta Sheffield AB (publ), and the Group's share of the sales of its joint ventures. Avesta Sheffield AB (publ) was only a subsidiary of the Group until 22 Jan 2001, when it was merged with the stainless steel activities of Outokumpu Oyj to form the associate AvestaPolarit Oyj Abp. As it was an associate, turnover of the newly formed entity was not included in the analysis above. During the current period the investment in AvestaPolarit Oyj Abp has been disposed of. Hence all stainless steel segmental analyses are shown as discontinued.

Business segment analysis of result on ordinary activities before interest is set out below:

	Loss on ordinary activities before interest				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Group:					
Carbon steel	(467)	(446)	(1,415)	(1,265)	(150)
Aluminium	21	58	109	94	15
Stainless steel – discontinued operations	–	3	150	138	12
Group operating loss	(446)	(385)	(1,156)	(1,033)	(123)
Share of operating results of joint ventures and associated undertakings:					
Carbon steel	4	10	–	1	(1)
Stainless steel – discontinued operations	17	2	–	1	(1)
Total operating loss	(425)	(373)	(1,156)	(1,031)	(125)
Profit on disposal of fixed assets	96	17	5	2	3
Profit on disposal of group undertakings:					
Carbon steel	7	2	–	–	–
Aluminium	60	–	–	–	–
Stainless steel – discontinued operations	(48)	–	–	–	–
Loss on ordinary activities before interest	(310)	(354)	(1,151)	(1,029)	(122)

Until 22 Jan 2001, 100% of the operating result of Avesta Sheffield AB (publ) was included in the stainless steel segment of the Group operating loss. From that date, the Group's 23% share of the results of AvestaPolarit Oyj Abp is shown in the share of operating results from associated undertakings. As noted above, during the current period the investment in AvestaPolarit Oyj Abp has been disposed of and therefore all stainless steel segmental analyses are shown as discontinued.

All profits on the disposal of fixed assets relate to carbon steel activities. The profit on disposal of fixed assets in the current period includes £65m in respect of the ongoing insurance settlement related to the rebuilding of the Port Talbot no.5 blast furnace, as discussed on page 6 of the Review of the period.

Net interest and investment income is managed centrally for the Group as a whole and so is not directly attributable to individual business segments.

1. Segmental analysis continued

Geographical market analysis of loss on ordinary activities before interest by location of Group entity is set out below:

	Loss on ordinary activities before interest				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Group:					
United Kingdom	(453)	(408)	(1,287)	(1,166)	(121)
Other European	(14)	41	257	262	(5)
North America	16	(22)	(135)	(137)	2
Other areas	5	4	9	8	1
Group operating loss	(446)	(385)	(1,156)	(1,033)	(123)
Share of operating results of joint ventures and associated undertakings:					
United Kingdom	5	5	5	4	1
Other European	16	5	1	4	(3)
North America	–	2	(6)	(6)	–
Total operating loss	(425)	(373)	(1,156)	(1,031)	(125)
Profit on disposal of fixed assets	96	17	5	2	3
Profit on disposal of group undertakings:					
United Kingdom	–	2	–	–	–
Other European	(41)	–	–	–	–
North America	60	–	–	–	–
Loss on ordinary activities before interest	(310)	(354)	(1,151)	(1,029)	(122)

All profits on the disposal of fixed assets relate to the United Kingdom.

Of the above, the following relates to discontinued operations:

	Profit on ordinary activities before interest				
	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Group:					
United Kingdom	–	–	46	42	4
Other European	–	3	95	88	7
North America	–	–	9	8	1
Group operating profit	–	3	150	138	12
Share of operating results of joint ventures and associated undertakings:					
Other European	17	2	–	1	(1)
Profit on ordinary activities before interest	17	5	150	139	11

1. Segmental analysis continued

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

	Tangible fixed assets			Net assets		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Company and subsidiary undertakings:						
United Kingdom	1,313	1,436	1,701	1,880	2,095	2,513
Other European	1,374	1,338	1,632	1,774	1,776	2,501
North America	174	278	340	245	313	333
Other areas	10	12	90	15	11	51
	2,871	3,064	3,763	3,914	4,195	5,398
Joint ventures and associated undertakings:						
United Kingdom				24	20	18
Other European				62	414	77
North America				3	50	56
Other areas				2	2	2
				91	486	153
				4,005	4,681	5,551
Net debt				(1,236)	(1,560)	(1,676)
				2,769	3,121	3,875

Of the above, discontinued subsidiary operations contributed £102m to tangible fixed assets within United Kingdom, £279m within Other European, £31m within North America and £2m within Other areas as at 30 Dec 2000. Also these discontinued operations contributed £227m to net assets within the United Kingdom, £547m within Other European, £3m within North America and £1m within Other areas as at 30 Dec 2000. Discontinued operations contributed £348m to net assets within Other European joint ventures and associated undertakings as at 29 Dec 2001.

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

	Tangible fixed assets			Net assets		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Company and subsidiary undertakings:						
Carbon steel	2,508	2,707	2,971	3,452	3,727	4,124
Aluminium	363	357	378	462	468	509
Stainless steel – discontinued operations	–	–	414	–	–	765
	2,871	3,064	3,763	3,914	4,195	5,398
Joint ventures and associated undertakings:						
Carbon steel				91	92	86
Aluminium				–	46	54
Stainless steel – discontinued operations				–	348	13
				91	486	153
				4,005	4,681	5,551
Net debt				(1,236)	(1,560)	(1,676)
				2,769	3,121	3,875

Net debt is managed centrally for the Group as a whole and so is not directly attributable to individual business segments.

2. Operating costs

	12 months 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Costs by type:					
Continuing operations:					
Raw materials and consumables	3,339	3,503	4,243	3,478	765
Maintenance costs (excluding own labour)	682	703	1,001	784	217
Other external charges (including fuels and utilities, hire charges and carriage costs)	1,209	1,263	1,598	1,297	301
Employment costs (Note 4)	1,568	1,620	2,351	1,925	426
Depreciation (and other amounts written off intangible fixed assets)	452	386	1,132	1,023	109
Regional development and other grants released	(7)	(10)	(16)	(13)	(3)
Other operating costs	436	533	809	700	109
Changes in stock of finished goods and work in progress	(34)	54	175	45	130
Own work capitalised	(11)	(46)	(35)	(28)	(7)
	7,634	8,006	11,258	9,211	2,047
Discontinued operations:					
Raw materials and consumables	–	36	910	792	118
Maintenance costs (excluding own labour)	–	3	59	48	11
Other external charges (including fuels and utilities, hire charges and carriage costs)	–	9	197	156	41
Employment costs (Note 4)	–	13	255	210	45
Depreciation (and other amounts written off intangible fixed assets)	–	–	46	37	9
Regional development and other grants released	–	–	(1)	(1)	–
Other operating costs	–	10	195	149	46
Changes in stock of finished goods and work in progress	–	7	(65)	(60)	(5)
	7,634	8,084	12,854	10,542	2,312
Costs by function:					
Continuing operations:					
Costs of goods sold	6,925	7,249	9,334	7,475	1,859
Selling, general and administrative expenses	656	749	894	720	174
Exceptional items (Note 3)	53	8	1,030	1,016	14
	7,634	8,006	11,258	9,211	2,047
Discontinued operations:					
Costs of goods sold	–	78	1,479	1,237	242
Selling, general and administrative expenses	–	–	114	92	22
Exceptional items (Note 3)	–	–	3	2	1
	7,634	8,084	12,854	10,542	2,312

2. Operating costs continued

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
The above costs are stated after including:					
Continuing operations:					
Purchases from joint ventures and associated undertakings	40	25	13	12	1
Amortisation of intangible fixed assets	34	12	11	9	2
Depreciation of owned assets (including accelerated depreciation)	416	372	1,115	1,010	105
Depreciation of assets held under finance leases	2	2	6	4	2
Operating leases:					
Plant and machinery	53	50	56	49	7
Leasehold property	29	22	42	34	8
Costs of research and development (gross)	71	66	103	85	18
Recoveries on research and development	(6)	(6)	(7)	(6)	(1)
Provision for doubtful debts	4	4	17	10	7
Costs incurred rendering software Year 2000 compliant	-	-	3	1	2
Costs incurred on merger, acquisition and disposal activity	23	-	-	-	-
Discontinued operations:					
Amortisation of intangible fixed assets	-	-	1	1	-
Depreciation of owned assets (including accelerated depreciation)	-	-	45	36	9
Operating leases:					
Plant and machinery	-	-	5	5	-
Leasehold property	-	-	7	6	1
Costs of research and development (gross)	-	-	10	8	2
Provision for doubtful debts	-	-	2	(3)	5
Pension refund at Avesta Sheffield AB	-	-	(26)	(26)	-
			Operating costs before exceptional items £m	Exceptional items £m	Total £m
The above costs in the 12 months to 28 Dec 2002 include:					
Raw materials and consumables			3,339	-	3,339
Maintenance costs (excluding own labour)			682	-	682
Other external charges			1,209	-	1,209
Employment costs (Note 4)			1,582	(14)	1,568
Depreciation (and other amounts written off intangible fixed assets)			347	105	452
Regional development and other grants released			(7)	-	(7)
Other operating costs			474	(38)	436
Changes in stock of finished goods and work in progress			(34)	-	(34)
Own work capitalised			(11)	-	(11)
			7,581	53	7,634

2. Operating costs continued

Remuneration of Group's auditors

	12 months to 28 Dec 2002 £000	12 months to 29 Dec 2001 £000	15 months to 30 Dec 2000 £000
In respect of the audit:			
Corus Group plc	10	10	15
Subsidiary undertakings:			
Corus UK Limited	781	783	928
Other subsidiary undertakings: Group auditors	1,966	1,963	3,074
Other subsidiary undertakings: non-Group auditors	–	75	2,672
	2,757	2,831	6,689
Amounts paid to Group auditors in respect of other work:			
UK	2,551	881	3,578
Overseas	1,257	1,152	2,965
	3,808	2,033	6,543
Total	6,565	4,864	13,232

Amounts paid to Group auditors in respect of other work is largely in respect of tax, financial, accounting, acquisition and disposal advice and not for consultancy work. In 2002, £2m was paid in respect of the acquisition and disposal related services.

3. Rationalisation and impairment exceptional items

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m
Credits for rationalisation and related measures:					
Redundancy and related costs	(22)	(48)	–	–	–
Accelerated depreciation	(14)	–	–	–	–
Other asset write downs	(5)	(13)	–	–	–
Other rationalisation costs	(45)	–	–	–	–
	(86)	(61)	–	–	–
Provision for rationalisation and related measures:					
Redundancy and related costs	8	39	202	194	8
Accelerated depreciation	96	5	590	585	5
Accelerated amortisation	23	–	–	–	–
Other asset write downs	2	–	111	111	–
Other rationalisation costs	10	25	130	128	2
	139	69	1,033	1,018	15
	53	8	1,033	1,018	15

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m	12 months to 30 Dec 2000 unaudited £m	3 months to 1 Jan 2000 unaudited £m
The net charge in each period may be analysed by business segment, as follows:					
Carbon steel	45	10	1,030	1,016	14
Aluminium	8	(2)	–	–	–
Stainless steel – discontinued operations	–	–	3	2	1
	53	8	1,033	1,018	15

These items are discussed in detail in the Review of the period on pages 5 and 6.

4. Employees

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
The total employment costs of all employees (including directors) in the Group were:					
Continuing operations:					
Wages and salaries	1,370	1,366	1,829	1,474	355
Social security costs	165	215	216	173	43
Other pension costs (Note 32)	47	48	107	86	21
Redundancy and related costs (Note 3)	(14)	(9)	199	192	7
	1,568	1,620	2,351	1,925	426
Discontinued operations:					
Wages and salaries	–	9	178	144	34
Social security costs	–	3	53	44	9
Other pension costs (Note 32)	–	1	21	20	1
Redundancy and related costs (Note 3)	–	–	3	2	1
	1,568	1,633	2,606	2,135	471

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
The average weekly number of employees by business segment on the Group's payroll during the period were:					
Carbon steel	45,800	49,400	52,600	52,600	52,600
Aluminium	5,800	5,800	5,700	5,700	5,600
Stainless steel – discontinued operations	–	400	6,400	6,400	6,400
	51,600	55,600	64,700	64,700	64,600

5. Share of results of joint ventures and associated undertakings

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Continuing operations:					
Share of operating results:					
Joint ventures	5	10	(2)	–	(2)
Associated undertakings	(1)	–	2	1	1
	4	10	–	1	(1)
Discontinued operations:					
Share of operating results:					
Associated undertakings	20	14	–	1	(1)
Share of exceptional items:					
Associated undertakings	–	(5)	–	–	–
Amortisation of goodwill:					
Associated undertakings	(3)	(7)	–	–	–
Total net share of operating results	21	12	–	2	(2)
Net interest receivable:					
Joint ventures	–	–	1	1	–
Net interest payable:					
Joint ventures	(1)	(2)	(7)	(7)	–
Associated undertakings	(1)	(3)	–	–	–
Share of results before taxation	19	7	(6)	(4)	(2)
Taxation (Note 7)	(6)	(5)	(2)	(2)	–
Share of results after taxation	13	2	(8)	(6)	(2)
Receivable in dividends:					
Subsidiary undertakings	(8)	(11)	(8)	(7)	(1)
Retained (Note 13)	5	(9)	(16)	(13)	(3)

6. Net interest and investment income

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Dividends from other fixed asset investments	–	–	1	1	–
Interest receivable	17	15	39	29	10
	17	15	40	30	10
Less: Interest payable:					
Bank loans and overdrafts	26	35	28	24	4
Other interest payable	82	81	126	103	23
	108	116	154	127	27
Finance leases	1	2	4	3	1
	109	118	158	130	28
Net interest and investment income	(92)	(103)	(118)	(100)	(18)

7. Taxation

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Taxation based on loss on ordinary activities for the period:					
The Group:					
UK corporation tax at 30%	2	25	6	6	–
Double tax relief	(2)	(25)	(5)	(5)	–
UK prior year (credit)/charge	(3)	1	(1)	(27)	–
Overseas prior year charge/(credit)	19	(7)	(26)	–	–
Overseas taxes	15	28	31	50	(19)
Current tax	31	22	5	24	(19)
Origination and reversal of timing differences	(31)	(81)	(417)	(376)	(41)
Reassessment of opening asset (see Note 15)	73	–	–	–	–
(Decrease)/increase in discount	(2)	23	70	65	5
UK deferred tax	40	(58)	(347)	(311)	(36)
Origination and reversal of timing differences	(29)	(17)	57	42	15
Decrease/(increase) in discount	13	5	(3)	(3)	–
Overseas deferred tax	(16)	(12)	54	39	15
	55	(48)	(288)	(248)	(40)
Joint ventures (Note 5)	2	3	1	1	–
Associated undertakings (Note 5)	4	2	1	1	–
	61	(43)	(286)	(246)	(40)
The current tax charge/(credit) reconciles with the standard rate of UK corporation tax as follows:					
Tax on Group result before results of joint ventures and associated undertakings at standard rate 30%	(127)	(141)	(381)	(339)	(42)
Temporary differences between taxable and accounting profit:					
Accelerated capital allowances	39	(5)	120	111	9
Other timing differences	(7)	95	217	201	16
Prior year charge/(credit)	16	(6)	(27)	(27)	–
Permanent differences	110	79	76	78	(2)
	31	22	5	24	(19)

The total taxation charge/(credit) in future periods will be affected by a number of factors including changes to the corporation tax rates in force in the countries in which the Group operates. Current tax charges will also be affected by changes in the excess of tax depreciation over book depreciation of tangible fixed assets. The deferred tax charge will also be affected by the value of the deferred tax asset recognised for tax losses recoverable against future taxable profits within a time horizon that the directors consider more likely than not to occur (see Note 15). There is no tax effect of the exceptional items relating to the profit on sale of fixed assets and the profit on disposal of Group undertakings as shown on the face of the profit and loss account.

8. Result of the Company

Of the Group loss after taxation, a loss of £19m (29 Dec 2001: profit of £23m; 15 months to 30 Dec 2000: 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

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
On ordinary shares:					
Interim dividend of nil (12 months to 29 Dec 2001: nil; 15 months to 30 Dec 2000: 1p) per share	–	–	31	31	–
Proposed final dividend of nil (12 months to 29 Dec 2001: nil; 15 months to 30 Dec 2000: nil) per share	–	–	–	–	–
	–	–	31	31	–

10. Earnings per ordinary share

The loss per share has been calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. Both the basic and diluted loss have been calculated as follows:

	12 months to 28 Dec 2002 No. m	12 months to 29 Dec 2001 No. m	15 months to 30 Dec 2000 No. m
Weighted average number of shares in issue during the period and used to calculate:			
Basic loss per share	3,127	3,122	3,110
Dilutive effects of share options	21	23	3
Dilutive effects of 4.625% convertible debenture 2007	97	97	97
Dilutive effects of 3% convertible bond 2007	234	–	–
Diluted loss per share	3,479	3,242	3,210

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 therefore these shares are not included in the calculation of earnings per share.

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m
Loss during the period and used to calculate:			
Basic loss per share	(458)	(419)	(1,042)
Finance costs of 4.625% convertible debenture 2007	4	5	6
Finance costs of 3% convertible bond 2007	6	–	–
Taxation effect of these dilutions	(3)	(2)	(2)
Diluted loss per share	(451)	(416)	(1,038)

11. Intangible fixed assets

	The Group		
	Patents and trademarks £m	Goodwill £m	Total £m
Cost at beginning of period	4	154	158
Additions	1	6	7
Exchange translation differences	–	(1)	(1)
Disposals	–	(2)	(2)
Cost at end of period	5	157	162
Amortisation at beginning of period	2	21	23
Charge for the period	1	10	11
Accelerated amortisation (Note 3)	–	23	23
Amortisation at end of period	3	54	57
Net book value at 28 Dec 2002	2	103	105
Net book value at 29 Dec 2001	2	133	135
Cost at 30 Dec 2000	4	160	164
Depreciation at 30 Dec 2000	1	11	12
Net book value at 30 Dec 2000	3	149	152

The goodwill arising on the acquisition of Corus Nederland BV is being amortised on a straight line basis over 15 years. Goodwill in respect of other acquisitions made is being amortised 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	
Cost at beginning of period	1,127	7,125	133	8,385
Additions	7	38	143	188
Acquisitions (Note 34)	4	6	–	10
Disposals	(44)	(134)	–	(178)
Exchange translation differences	20	51	5	76
Transfers and other movements	5	118	(123)	–
Cost at end of period	1,119	7,204	158	8,481
Depreciation at beginning of period	599	4,982	–	5,581
Charge for the period	36	300	–	336
Accelerated depreciation (Note 3)	(1)	83	–	82
Disposals	(22)	(119)	–	(141)
Exchange translation differences	4	12	–	16
Depreciation at end of period	616	5,258	–	5,874
Net book value at 28 Dec 2002	503	1,946	158	2,607
Loose plant, tools and spares (net book value)				264
				2,871
Net book value at 29 Dec 2001	528	2,143	133	2,804
Loose plant, tools and spares (net book value)				260
				3,064
Cost at 30 Dec 2000	1,284	7,798	256	9,338
Depreciation at 30 Dec 2000	655	5,195	–	5,850
Net book value at 30 Dec 2000	629	2,603	256	3,488
Loose plant, tools and spares (net book value)				275
				3,763

12. Tangible fixed assets continued

- (i) Included above are fully depreciated assets with an original cost of £2,070m (29 Dec 2001: £1,855m; 30 Dec 2000: £1,450m) which are still in use. In addition, there are fully depreciated assets with an original cost of £453m (29 Dec 2001: £306m; 30 Dec 2000: £163m) which are permanently out of use and pending disposal, demolition or reapplication elsewhere in the business.

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
(ii) The net book value of land and buildings comprises:			
Freehold	478	517	616
Long leasehold (over 50 years unexpired)	7	9	12
Short leasehold	18	2	1
	503	528	629
Which may be further analysed as:			
Assets held under finance leases:			
Cost	40	21	22
Accumulated depreciation	(4)	(1)	(1)
	36	20	21
Owned assets	467	508	608
	503	528	629
(iii) The net book value of plant and machinery comprises:			
Assets held under finance leases:			
Cost	31	123	145
Accumulated depreciation	(30)	(111)	(109)
	1	12	36
Owned assets	1,945	2,131	2,567
	1,946	2,143	2,603
(iv) The net book value of loose plant, tools and spares comprises:			
Cost	604	603	638
Accumulated depreciation and provisions	(340)	(343)	(363)
	264	260	275

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.

13. Fixed asset investments

	The Company		Total £m
	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	
Cost at beginning of period	3,159	49	3,208
Additions	8	–	8
Disposals	–	(51)	(51)
Exchange	–	2	2
Cost and net book value at 28 Dec 2002	3,167	–	3,167
Cost and net book value at 29 Dec 2001	3,159	49	3,208
Cost and net book value at 30 Dec 2000	3,159	–	3,159

13. Fixed asset investments continued

	The Group				Total £m
	Interests in joint ventures and associated undertakings £m	Loans to joint ventures and associated undertakings (Note 21) £m	Other investments (Note 21) £m	Other loans (Note 21) £m	
Cost at beginning of period	469	31	42	10	552
Additions and transfers	6	–	8	–	14
Disposals (Note 35)	(408)	(29)	–	(3)	(440)
Exchange translation differences	17	–	–	–	17
Cost at 28 Dec 2002	84	2	50	7	143
Goodwill at beginning of period	93	–	–	–	93
Amortisation charge for the period	(3)	–	–	–	(3)
Disposals (Note 35)	(90)	–	–	–	(90)
Goodwill at 28 Dec 2002	–	–	–	–	–
Share of post acquisition reserves at beginning of period	(48)	–	–	–	(48)
Share of results in period retained	8	–	–	–	8
Disposals (Note 35)	51	–	–	–	51
Exchange difference	(1)	–	–	–	(1)
Share of post acquisition reserves at end of period	10	–	–	–	10
Provisions at beginning of period	28	18	–	–	46
Additions	2	–	–	–	2
Disposals (Note 35)	(27)	(18)	–	–	(45)
Provisions at 28 Dec 2002	3	–	–	–	3
Net book value at 28 Dec 2002	91	2	50	7	150
Net book value at 29 Dec 2001	486	13	42	10	551
Cost at 30 Dec 2000	230	34	47	12	323
Share of post acquisition reserves at 30 Dec 2000	(47)	–	–	–	(47)
Provisions at 30 Dec 2000	30	18	–	–	48
Net book value at 30 Dec 2000	153	16	47	12	228

- (i) The Group owns 22,832 of its own shares (nominal value: £11,416; market value: £6,165) that are held in a QUEST to satisfy future exercise of options under the Corus Sharesave Scheme.
- (ii) As at the date of acquisition Precoat International plc (Note 34) owned 38,393 shares in the Company (nominal value: £19,197; market value: £10,366).
- (iii) The Company's main subsidiaries and investments are listed in Note 37.
- (iv) Goodwill on interests in joint ventures and associated undertakings arose entirely on the Group's investment in AvestaPolarit Oyj Abp. The cost of goodwill at the beginning of the period was £100m and accumulated amortisation was £7m.

14. Stocks

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Raw materials and consumables	472	502	557
Work in progress	387	375	505
Finished goods and goods for resale	478	443	657
	1,337	1,320	1,719

15. Debtors: amounts falling due after more than one year

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Deferred tax assets	3	3	–	137	177	105
Prepaid pension costs (Note 32)	–	–	–	320	291	273
	3	3	–	457	468	378

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
The movement on the deferred tax assets is as follows:						
At beginning of period	3	–	–	177	105	–
Profit and loss account	–	3	–	(40)	59	105
Reclassifications from provisions	–	–	–	–	13	–
At end of period	3	3	–	137	177	105

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
The deferred tax assets are made up as follows:						
Pension prepayment	–	–	–	(27)	(26)	(29)
Accelerated capital allowances	–	–	–	(170)	(213)	(228)
Tax losses	3	3	–	264	338	226
Other timing differences	–	–	–	67	81	117
	3	3	–	134	180	86
Discount	–	–	–	3	(3)	19
	3	3	–	137	177	105

The deferred tax assets of £137m (29 Dec 2001: £177m; 30 Dec 2000: £105m) are recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur. Deferred tax assets have not been recognised in respect of total tax losses with a value of £1,390m (29 Dec 2001: £624m; 30 Dec 2000: £336m). These include UK losses of £831m (29 Dec 2001: £203m). The increase in the value of UK losses not recognised comprises current year losses of £341m and previously recognised losses of £287m.

16. Debtors: amounts falling due within one year

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Trade debtors	–	–	–	1,041	1,191	1,699
Less allowances for doubtful debts	–	–	–	(46)	(48)	(70)
	–	–	–	995	1,143	1,629
Amounts owed by joint ventures	–	–	–	26	11	38
Amounts owed by associated undertakings	–	–	–	5	9	–
UK corporation tax	–	–	–	6	3	14
Overseas taxation	–	–	–	36	57	40
Other debtors	–	3	–	173	173	164
	–	3	–	1,241	1,396	1,885

16. Debtors: amounts falling due within one year continued

On 18 Apr 2002, Corus launched a revolving period securitisation programme under which it may offer to assign all of its rights, title and interest in a pool of invoiced trade debtors to a third party which is funded ultimately in the commercial paper markets.

Cash advanced against this pool takes into account, inter alia, the risks that may be attached to the debtors and the expected collection period. Under FRS 5 'Reporting the substance of transactions' the cash advanced has been offset against the assigned trade debtors in a linked presentation on the face of the balance sheet. Included within debtors due within one year are the following amounts:

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Securitised gross trade debtors	293	–	–
Less non returnable proceeds	(181)	–	–
Net securitised trade debtors	112	–	–
Other trade debtors	883	1,143	1,629
Total trade debtors	995	1,143	1,629

The Group is not obliged, and does not intend, to support any losses arising from the assigned debtors against which cash has been advanced. In the event of default in payment by a debtor, the providers of the finance will seek repayment of cash advanced, as to both principal and interest, only from the remainder of the pool of debtors in which they hold an interest. Repayment will not be sought from the Group in any other way.

17. Short term investments

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Short term investments include:			
Deposits within 3 months of maturity when acquired	39	4	40
Other short term deposits	1	7	2
	40	11	42

18. Creditors: amounts falling due within one year

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Bank overdrafts (Note 20)	–	–	–	36	27	58
7% Debenture stock 2002 (Note 20)	–	–	–	–	70	–
Other loans (Note 20)	3	4	5	41	31	119
Obligations under finance leases (Note 20)	–	–	–	1	4	6
Trade creditors	–	–	–	1,047	1,052	1,086
Amounts owed to joint ventures	–	–	–	4	2	6
Amounts owed to associated undertakings	–	–	–	2	2	1
UK corporation tax	–	–	–	–	–	1
Overseas taxes	–	–	–	121	108	73
Other taxation and social security	–	–	–	44	96	60
Other creditors	14	2	–	340	337	424
	17	6	5	1,636	1,729	1,834

Loans of £283m (29 Dec 2001: £487m; 30 Dec 2000: £537m) 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 effectively be renewed at the Company's option. Interest has been charged at rates varying between 2.9% and 6.1% on those loans during the year.

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

19. Creditors: amounts falling due after more than one year

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Borrowings (Note 20):						
7% Debenture stock 2002	-	-	-	-	-	73
6.75% Debenture stock 2004	-	-	-	60	57	60
5.375% Eurobond 2006	-	-	-	257	242	249
3% Unsubordinated convertible bond 2007 (Note 26)	196	-	-	196	-	-
4.625% Subordinated convertible debenture loan 2007 (Note 26)	-	-	-	113	109	115
5.625% Debenture stock 2008	-	-	-	87	82	84
6.75% Bonds 2008	-	-	-	198	198	198
11.5% Debenture stock 2016	-	-	-	150	150	150
Bank and other loans	-	86	-	325	748	803
Obligations under finance leases	-	-	-	42	26	34
	196	86	-	1,428	1,612	1,766
Amounts owed to subsidiary undertakings	226	375	433	-	-	-
Other creditors	-	-	-	36	34	71
	422	461	433	1,464	1,646	1,837

Amounts owed to subsidiary undertakings by the Company represent loans with no fixed repayment date.

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
An analysis of other creditors by currency is set out below:			
Sterling	33	28	26
Euros	2	4	37
US Dollars	1	1	4
Swedish Kronor	-	-	4
Singapore Dollars	-	1	-
	36	34	71

These are due for repayment after five years and are not subject to interest.

20. Borrowings and finance leases

(i) The currency and interest exposure of gross borrowings of the Group at 28 Dec 2002 is as follows:

	Weighted average interest rate %	Weighted average time for which rate is fixed years	Fixed rate borrowings £m	Floating rate borrowings £m	Zero rate borrowings £m	Total 28 Dec 2002 £m	Total 29 Dec 2001 £m	Total 30 Dec 2000 £m
Sterling	8.6	9.5	378	151	–	529	691	580
US Dollars	3.0	0.6	4	175	–	179	337	369
Euros	4.8	3.9	733	14	12	759	697	967
Swedish Kronor	–	–	–	–	–	–	–	13
Other	4.4	2.5	16	23	–	39	19	20
			1,131	363	12	1,506	1,744	1,949

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 zero rate borrowings have a weighted average maturity of 2.5 years.

The weighted average interest rate on short term borrowings was 4.6% (12 months to 29 Dec 2001: 6.1%; 15 months to 30 Dec 2000: 5.0%).

(ii) The maturity of borrowings is as follows:

	The Company			The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
In one year or less or on demand	3	4	5	82	134	185
Between one and two years	–	–	–	356	13	260
Between two and three years	–	86	–	25	785	11
Between three and four years	–	–	–	265	11	636
Between four and five years	196	–	–	301	246	27
More than five years	–	–	–	512	561	841
	199	90	5	1,541	1,750	1,960
Less: amounts representing interest in future minimum lease payments	–	–	–	(35)	(6)	(11)
	199	90	5	1,506	1,744	1,949
Amounts falling due within one year	3	4	5	78	132	183
Amounts falling due after more than one year	196	86	–	1,428	1,612	1,766

(iii) The maturity of undrawn committed borrowing facilities of the Group is as follows:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
In one year or less (see (iv) below)	312	5	325
Between one and two years	624	–	3
More than two years	12	756	508
	948	761	836

Total unutilised bank facilities were £1,140m (29 Dec 2001: £1,018m; 30 Dec 2000: £1,167m). These facilities contained various covenants, the most onerous of which are that the Group gearing ratio (based on net tangible worth) should not exceed 75% and that net tangible worth should not be less than £2,500m.

- (iv) On 31 Jan 2001, Corus entered into a new three year €2,400m bank facility. This new facility substantially replaced all of the committed bank facilities of Corus UK Limited and Corus Nederland BV. This facility was reduced in Jan 2002 by the value of the net proceeds of the convertible bond (see (vii) below), and in Apr 2002 by €240m, being most of the proceeds of the debtor securitisation (see Note 16). The facility was further reduced following the period end, on 30 Dec 2002, by voluntary cancellation of €460m, of which €260m would have matured in Jan 2003 and €100m in Mar 2003. The facility now stands at €1,400m.
- (v) The 11.5% Debenture stock 2016 (see Note 19) is secured by a floating charge over the assets of Corus UK Limited. The Debenture stock contains various covenants, the most onerous of which is that the aggregate value of tangible assets of Corus UK Limited situated in the UK shall not be less than £2,000m.
- (vi) The other Bonds, Eurobond and other Debenture stock (see Note 19) are unsecured and contain no financial covenants. Under the terms of the 6.75% Bonds 2008 the Company has agreed that no further charges will be created over the assets of Corus UK Limited to support bond debt other than the Debenture stock described in (v) above.
- (vii) On 11 Jan 2002 €307m 3% Guaranteed Convertible Unsubordinated Bonds due 2007 were issued by the Company. They were unconditionally and irrevocably guaranteed by Corus UK Limited. The proceeds from this issue were used to pay down and cancel €300m of the syndicated bank facility.

21. Currency and interest rate profile of financial assets and liabilities

(i) The currency and interest exposure of current financial assets of the Group at 28 Dec 2002 is as follows:

	Cash £m	Short term investments (Note 17) £m	28 Dec 2002 Total £m	Cash £m	Short term investments (Note 17) £m	29 Dec 2001 Total £m	Cash £m	Short term investments (Note 17) £m	30 Dec 2000 Total £m
Currency:									
Sterling	82	37	119	85	1	86	53	–	53
US Dollars	47	–	47	16	3	19	24	11	35
Euros	57	3	60	37	7	44	101	27	128
Swedish Kronor	3	–	3	6	–	6	24	4	28
Other currencies	41	–	41	29	–	29	29	–	29
	230	40	270	173	11	184	231	42	273
Interest rate:									
Floating rate	230	–	230	173	–	173	231	–	231
Fixed rate	–	40	40	–	11	11	–	42	42
	230	40	270	173	11	184	231	42	273

Short term investments are deposits for periods not exceeding one year and the weighted average interest rate was 3.6% (29 Dec 2001: 4.0%; 30 Dec 2000: 4.9%). During each of the periods above cash earned interest at a floating rate based on LIBOR or other official local rates.

(ii) The currency and interest exposure of long term financial assets (Note 13) of the Group as at 28 Dec 2002 is as follows:

	Weighted average interest rate %	Weighted average time for which rate is fixed years	Fixed rate long term financial assets £m	Floating rate long term financial assets £m	Zero rate long term financial assets £m	Total 28 Dec 2002 £m	Total 29 Dec 2001 £m	Total 30 Dec 2000 £m
Sterling	4.3	2.0	14	2	–	16	17	24
US Dollars	5.4	11.2	7	–	1	8	11	6
Euros	4.9	8.4	21	2	5	28	32	35
Other	2.0	10.0	7	–	–	7	5	10
			49	4	6	59	65	75
Loans in fixed asset investments						9	23	28
Other fixed asset investments						50	42	47

(iii) Of the other fixed asset investments above, £48m (29 Dec 2001: £42m; 30 Dec 2000: £40m) are held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij NV to fund insurance liabilities of the Group. Of this amount £14m (29 Dec 2001: £11m; 30 Dec 2000: £14m) relates to UK listed investments, market value £14m (29 Dec 2001: £11m; 30 Dec 2000: £14m) and £33m (29 Dec 2001: £25m; 30 Dec 2000: £19m) is listed overseas, market value £33m (29 Dec 2001: £25m; 30 Dec 2000: £18m).

(iv) Other fixed asset investments have contractual maturities within one year of £11m, between two and five years of £12m and greater than five years of £23m. The remaining investments do not have contractual maturity dates. The fixed interest rates for investments range from 1.4% to 8.0%.

(v) Details of financial liabilities are contained in Notes 20 and 25.

22. Currency analysis of net assets

The Group's net assets by principal currency at 28 Dec 2002 are:

	Net assets by currency of operations £m	Cash and short term investments £m	Gross borrowings £m	Net investment £m
Sterling	1,904	119	(529)	1,494
US Dollars	141	47	(179)	9
Euros	1,778	60	(759)	1,079
Swedish Kronor	21	3	-	24
Other	161	41	(39)	163
	4,005	270	(1,506)	2,769

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 with foreign currency borrowings consistent with maintaining a prudent approach to the value of currency liabilities when translated back to sterling. In the case of the investment in Corus Nederland BV, where the risk tends to be balanced over time by the contra-effect of exchange rate movements on its competitiveness and profitability, only a partial hedge is undertaken. The period end position was compatible with the Group's policy and strategy which was applied consistently throughout the period.

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.

23. Financial instruments

Corus uses certain financial instruments to reduce business risks which arise from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments used, which are confined principally to forward foreign exchange contracts, forward rate agreements, options and London Metal Exchange contracts, 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 the 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:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Foreign exchange contracts	983	915	885
Commodity futures and contracts	241	251	203

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 30.

24. 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 22. Short term debtors and creditors have been excluded from all financial instruments disclosures.

	Book value 28 Dec 2002 £m	Fair value 28 Dec 2002 £m	Book value 29 Dec 2001 £m	Fair value 29 Dec 2001 £m	Book value 30 Dec 2000 £m	Fair value 30 Dec 2000 £m
Financial assets:						
Cash and short term investments (i) (Note 17)	270	270	184	184	273	273
Loans to joint ventures and associated undertakings (Note 13)	2	2	13	13	16	16
Other loans (Note 13)	7	7	10	10	12	12
Other investments (ii) (Note 13)	50	50	42	42	47	47
Financial liabilities:						
Short term borrowings (i) (Note 18)	(78)	(78)	(132)	(132)	(183)	(183)
Long term borrowings (iii) (Note 19)	(1,428)	(1,197)	(1,612)	(1,522)	(1,766)	(1,692)
Unrecognised financial instruments:						
Foreign exchange contracts (iv)	-	1	-	(4)	-	4
Commodity futures (iv)	-	(3)	-	(25)	-	(4)
	(1,177)	(948)	(1,495)	(1,434)	(1,601)	(1,527)

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 28 Dec 2002, 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) £363m (29 Dec 2001: £781m; 30 Dec 2000: £973m) 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 £1,143m (29 Dec 2001: £963m; 30 Dec 2000: £976m) 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) Both short term and long term debtors and trade or other creditors, as well as provisions have fair values which approximate to their book values and are therefore excluded from the table.

Corus does not use any of the instruments mentioned above for the purposes of speculation.

The following table shows the maturity profile of unrecognised gains and losses on hedges:

	Gains 2002 £m	Losses 2002 £m	Net total 2002 £m	Net total 2001 £m
Unrecognised losses on hedges at beginning of period	-	(29)	(29)	-
Losses arising in previous years recognised in current period	-	29	29	-
Losses arising before start of period not recognised in current period	-	-	-	-
Unrecognised gains arising during current year	1	-	1	-
Unrecognised losses arising during current year	-	(3)	(3)	(29)
Unrecognised gains/(losses) on hedges at end of period	1	(3)	(2)	(29)
Gains/(losses) expected to be recognised in following period	1	(3)	(2)	(29)

25. Provisions for liabilities and charges

	The Group						28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
	Rationalisation costs £m	Deferred tax £m	Insurance (Accounting policy note vii) £m	Pensions (Note 32) £m	Other £m	Total			
At beginning of period	224	146	18	145	43	576	795	467	
Acquisitions	–	–	–	–	–	–	–	302	
Exchange translation differences	–	9	–	10	2	21	(10)	(4)	
Charges to profit and loss account	18	–	–	19	23	60	96	368	
Releases to profit and loss account	(67)	(16)	(2)	–	(4)	(89)	(62)	(188)	
Disposals (Note 35)	–	–	–	(2)	–	(2)	–	–	
Deconsolidation of Avesta Sheffield AB	–	–	–	–	–	–	(92)	–	
Reclassifications	–	(3)	–	34	–	31	13	(3)	
Utilised in period	(57)	–	–	(7)	(11)	(75)	(164)	(147)	
At end of period	118	136	16	199	53	522	576	795	

(i)

	By Value			Related employee numbers		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m	28 Dec 2002 No.	29 Dec 2001 No.	30 Dec 2000 No.
Rationalisation costs include redundancy provisions as follows:						
At beginning of period	80	192	59	3,202	7,327	2,478
Acquisitions	–	–	18	–	–	705
Group charge for rationalisation (across manufacturing, selling, distribution and administration)	8	39	202	533	1,753	7,903
Released to profit and loss account	(22)	(48)	–	(867)	(1,616)	–
Deconsolidation of Avesta Sheffield AB	–	(4)	–	–	(118)	–
Utilised during the period	(34)	(99)	(87)	(1,584)	(4,144)	(3,759)
At end of period	32	80	192	1,284	3,202	7,327

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Other rationalisation costs provided include:			
Onerous lease payments relating to unutilised premises	7	10	10
Environmental clean up costs	38	70	68
Contract terminations	2	15	16

Although the precise timing in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within two years.

- (ii) Rationalisation provisions include £2m (29 Dec 2001: £10m) of financial liabilities due within one year, £4m (29 Dec 2001: £4m) in one to two years, £nil (29 Dec 2001: £9m) in two to five years and £3m (29 Dec 2001: £2m) in over five years. These amounts are principally denominated in sterling and bear no interest.

(iii)

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Deferred tax provided is made up as follows:			
Pension prepayment	59	52	54
Accelerated capital allowances	75	93	155
Tax losses carried forward	(20)	(23)	(20)
Other timing differences	27	41	27
Undiscounted provision for deferred tax	141	163	216
Discount	(5)	(17)	(22)
Discounted provision for deferred tax	136	146	194

25. Provisions for liabilities and charges continued

- (iv) The insurance provisions relate to Crucible Insurance Company Limited which underwrites marine cargo, employers' liability, public liability and retrospective hearing impairment policies for the Group. These provisions are subject to regular review and are adjusted as appropriate; the value of final insurance settlements is uncertain and so is the timing of expenditure.
- (v) Other provisions include £9m (29 Dec 2002: £15m) for product warranty claims. During the period there were charges to the profit and loss account of £3m and cash settlements of £9m against these claims. The other provisions also include post retirement benefits and environmental provisions for which the timing of any potential expenditure is uncertain. During the period £34m of pension provisions have been reclassified from other creditors.

26. Share capital

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

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Authorised:			
4,400,099,998 ordinary shares of 50p each (29 Dec 2001: 4,400,099,998; 30 Dec 2000: 4,400,099,998)	2,200	2,200	2,200
	2,200	2,200	2,200
Allotted, called up and fully paid:			
3,130,418,053 ordinary shares of 50p each (29 Dec 2001: 3,126,779,223; 30 Dec 2000: 3,121,104,265)	1,565	1,564	1,561
	1,565	1,564	1,561

Movements in share capital are set out below:

	28 Dec 2002 No. of shares	29 Dec 2001 No. of shares	30 Dec 2000 No. of shares
Authorised			
Creation of ordinary shares of 50p each	–	–	4,400,000,000
Creation of redeemable preference shares of £1 each (i)	–	–	49,999

- (i) The preference shares were redeemed on 20 Oct 2000 and the nominal amount of the preference shares comprised in the authorised share capital of the Company was sub-divided and converted into ordinary shares of 50p each.

Issued	12 months to 28 Dec 2002		12 months to 29 Dec 2001		15 months to 30 Dec 2000	
	No. of shares	Consideration £m	No. of shares	Consideration £m	No. of shares	Consideration £m
Ordinary shares:						
On the terms of the merger of British Steel and Koninklijke Hoogovens:						
In exchange for British Steel shares (i)	–	–	–	–	1,982,600,612	–
Public offer for Koninklijke Hoogovens shares (ii)	–	–	–	–	1,127,856,813	–
Surrender of Koninklijke Hoogovens 4.625% convertible bonds due 2007 (iii)	–	–	–	–	2,930,681	3
Exercise of share options (iv)	585,540	–	169,919	–	7,716,157	8
Awards of shares under Employee Share Ownership Plan (v)	3,053,290	3	5,505,039	3	–	–

- (i) Issued in exchange for 1,982,600,612 British Steel ordinary shares of 50p each on a one for one basis.
- (ii) Issued on surrender of 38,651,707 Koninklijke Hoogovens ordinary shares of NLG20 each. Koninklijke Hoogovens shareholders received 29.18 Corus shares for each share.
- (iii) Issued on surrender of bonds with a nominal value of NLG10,144,000.
- (iv) Exercised at prices ranging between 51p and 129p (29 Dec 2001: 51p and 122p; 30 Dec 2000: 74p and 138p). The consideration includes a premium over nominal value amounting to £nil (29 Dec 2001: £nil; 30 Dec 2000: £4m).
- (v) Awarded at prices ranging between 53p and 88p (29 Dec 2001: 56p and 71p; 30 Dec 2000: nil). The consideration includes a premium over nominal value amounting to £2m (29 Dec 2001: £nil; 30 Dec 2000: £nil).
- (vi) 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. The nominal amount of the preference shares comprised in the authorised share capital of the Company was sub-divided and converted into ordinary shares of 50p each.

26. Share capital continued

Rights to subscribe for shares:

Share options

Prior to the merger, British Steel plc operated three share option schemes. On 6 Oct 1999, all options held over British Steel shares were converted into options over Corus shares maintaining the same value but at a revised price for a revised number of shares. Since 6 Oct 1999 no further options can be granted under these schemes.

Two new schemes were established for Corus Group employees. The larger scheme is the Sharesave Scheme for which the majority of UK employees are eligible. The other scheme is for senior executives and is described more fully in the Report on remuneration on pages 35 and 36. No options have been granted under either of these schemes during the year.

	Executive scheme name	Sharesave scheme name
Former British Steel schemes:	Corus UK Executive Corus Overseas Executive	Corus UK Sharesave
Corus schemes:	Corus Executive	Corus Sharesave

- (i) Options under all executive schemes are normally exercisable between the third and tenth anniversary of the date of grant. Options are granted at a price which is 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.
- (ii) Options under both sharesave schemes are normally exercisable on completion of a three or five year savings contract at the choice of the employee. Options are granted at a price 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 immediately preceding the date of invitation and within 30 days of the date of grant.

Options outstanding together with their exercise prices and dates of exercise are set out below:

	Price per share	At 28 Dec 2002 No. of shares	At 29 Dec 2001 No. of shares	At 30 Dec 2000 No. of shares	Normal dates of exercise
Corus UK Sharesave Scheme	99p	–	–	15,943	2001
	100p	–	7,916	21,838,457	2001
	88p	–	10,711	10,523,840	2001
	88p	16,485,492	18,776,185	28,415,784	2003
Corus Sharesave Scheme	51p	33,163,193	38,872,798	–	2004
	51p	47,537,770	50,854,086	–	2006
Corus UK Executive Share Option Scheme	74p	361,926	361,926	559,914	1996-2003
	107p	2,192,884	2,308,128	2,472,736	1997-2004
	130p	2,262,188	2,388,305	2,629,558	1998-2005
	138p	474,802	499,325	593,842	1999-2006
	122p	1,878,434	1,913,237	2,273,325	2000-2007
	129p	2,546,201	2,571,974	2,637,879	2002-2009
Corus Overseas Executive Share Option Scheme	130p	8,430	8,430	8,430	1998-2005
	138p	2,187,085	2,597,477	2,699,915	1999-2006
	122p	3,023,631	3,575,048	3,719,129	2000-2007
	129p	8,369,857	8,667,845	9,378,013	2002-2009
Corus Executive Share Option Scheme	120p	24,635,400	25,591,600	27,664,500	2003-2010
	106p	113,600	113,600	113,600	2003-2010
	55p	29,694,600	31,251,000	–	2004-2011
	50p	796,000	796,000	–	2004-2011

26. Share capital continued

Movements in ordinary shares under option schemes are set out below:

	Corus UK Sharesave No. of shares 000s	Corus Sharesave No. of shares 000s	Weighted average price	Corus UK Executive No. of shares 000s	Corus Overseas Executive No. of shares 000s	Corus Executive No. of shares 000s	Weighted average price
At 3 Apr 1999	70,763	–	119p	7,159	5,122	–	156p
Granted	–	–	–	2,085	7,398	–	165p
Exercised	(844)	–	124p	(266)	–	–	128p
Forfeited, expired or lapsed	(4,233)	–	119p	(50)	(58)	–	166p
At 2 Oct 1999 prior to conversion	65,686	–	119p	8,928	12,462	–	160p
At 6 Oct 1999 after conversion	83,899	–	93p	11,403	15,917	–	125p
Granted	–	–	–	–	–	28,261	120p
Exercised	(7,646)	–	98p	(46)	(24)	–	135p
Forfeited, expired or lapsed	(15,459)	–	94p	(190)	(88)	(483)	120p
At 30 Dec 2000	60,794	–	93p	11,167	15,805	27,778	123p
Granted	–	91,857	51p	–	–	32,882	55p
Exercised	–	(1)	51p	(2)	–	(166)	56p
Forfeited, expired or lapsed	(41,999)	(2,129)	92p	(1,122)	(956)	(2,742)	112p
At 29 Dec 2001	18,795	89,727	58p	10,043	14,849	57,752	97p
Exercised	–	(287)	51p	(1)	–	(297)	56p
Forfeited, expired or lapsed	(2,309)	(8,739)	59p	(326)	(1,260)	(2,215)	102p
At 28 Dec 2002	16,486	80,701	58p	9,716	13,589	55,240	97p

Options were exercisable as set out below:

Corus Group plc shares

At 30 Dec 2000	–	–	–	6,517	3,523	1,517	118p
At 29 Dec 2001	–	–	–	6,239	5,582	6,199	116p
At 28 Dec 2002	–	–	–	6,093	5,291	8,372	112p

No options were granted during the year. Options were granted in the prior year under the Corus Executive Share Option Scheme on 28 Mar 2001 and 19 Oct 2001 at 55p and 50p respectively, the option price being equivalent to the market value of the options at the date of grant. Options were also granted in the prior year under the Corus Sharesave Scheme on 10 May 2001 at 51p per share, the option price being equivalent to 80% of the market value at the date of invitation.

At 28 Dec 2002 there were 39m ordinary shares available for granting options under the Corus Executive Scheme and the Corus Sharesave Scheme.

Other rights

- (i) The Employee Share Ownership Plan (ESOP) was introduced in the prior year with an offer of free and partnership shares in accordance with the rules of the scheme. Eligible employees were allowed to make contributions from pre-tax salary to buy Corus shares, which are held in trust (partnership shares). Partnership shares continued to be awarded during the period but no free shares were awarded. Shares were awarded to applicants at the market value of an ordinary share on the London Stock Exchange on the day prior to award.
- (ii) Holders of convertible debt can exercise their conversion rights throughout the unexpired term of the loans and be issued with Corus Group plc ordinary shares of 50p each as set out below:

	Nominal amount €m	Number of shares to be issued	Period during which right is exercisable	Consideration to be received
Corus Nederland BV 4.625% convertible debenture loan 2007				
At 30 Dec 2000	152	96,693,438	2000-2007	£95m
At 29 Dec 2001	152	96,693,438	2000-2007	£92m
At 28 Dec 2002	152	96,693,438	2000-2007	£99m
Corus Group plc €307m 3% guaranteed convertible unsubordinated bonds 2007				
At 28 Dec 2002				
		Nominal amount €m	Number of shares to be issued	Period during which right is exercisable
		307	234,351,152	2002-2007

The €307m 3% guaranteed convertible unsubordinated bonds 2007 were issued on 11 Jan 2002.

27. Reconciliation of movements in share capital and reserves

	Share capital £m	Share premium account £m	Statutory reserve £m	Other reserves £m	Profit and loss account £m	Joint ventures and associated undertakings reserves £m	Total £m
The Company							
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
New shares issued	3	-	-	-	-	-	3
Profit retained	-	-	-	-	23	-	23
At 29 Dec 2001	1,564	5	-	796	382	-	2,747
New shares issued	1	2	-	-	-	-	3
Loss retained	-	-	-	-	(19)	-	(19)
At 28 Dec 2002	1,565	7	-	796	363	-	2,731
The Group							
At 2 Oct 1999	991	-	2,338	99	517	(22)	3,923
Loss retained	-	-	-	-	(1,057)	(16)	(1,073)
Exchange translation differences on foreign currency net investments	-	-	-	-	(27)	(5)	(32)
Transfers and disposals	-	-	-	-	4	(4)	-
Cash and loan notes to shareholders	-	-	-	(694)	-	-	(694)
New shares issued	570	5	-	802	-	-	1,377
Share issue expenses	-	-	-	(6)	-	-	(6)
At 30 Dec 2000	1,561	5	2,338	201	(563)	(47)	3,495
Loss retained	-	-	-	-	(417)	(2)	(419)
Exchange translation differences on foreign currency net investments	-	-	-	-	(58)	-	(58)
Transfers and disposals	-	-	-	-	(1)	1	-
Transfer of goodwill	-	-	-	-	40	-	40
New shares issued	3	-	-	-	-	-	3
At 29 Dec 2001	1,564	5	2,338	201	(999)	(48)	3,061
(Loss)/profit retained	-	-	-	-	(466)	8	(458)
Exchange translation differences on foreign currency net investments	-	-	-	-	84	(1)	83
Transfers and disposals	-	-	-	-	(51)	51	-
Transfer of goodwill (Note 35)	-	-	-	-	33	-	33
New shares issued	1	2	-	-	-	-	3
At 28 Dec 2002	1,565	7	2,338	201	(1,399)	10	2,722

27. Reconciliation of movements in share capital and reserves continued

- (i) The statutory reserve of £2,338m arises in Corus UK Limited under section 7(1) of the British Steel Act 1988. £381m of the statutory reserves are available for distribution; the balance of £1,957m are restricted reserves which may only be applied in paying up unissued shares to be allotted to members as fully paid bonus shares.
- (ii) Distributable retained profits of subsidiary and associated undertakings attributable to the Group include £360m (29 Dec 2001: £281m; 30 Dec 2000: £749m; 2 Oct 1999: £336m) retained overseas. 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 (29 Dec 2001: £13m; 30 Dec 2000: £14m; 2 Oct 1999: £14m) which is considered by the directors as not available for distribution.
- (iv) As at 28 Dec 2002, the cumulative net goodwill written off to Group reserves resulting from acquisitions prior to 28 Mar 1998 amounts to £252m (29 Dec 2001: £285m; 30 Dec 2000: £325m; 2 Oct 1999: £325m) (see Presentation of accounts and accounting policies Note II).
- (v) There was a foreign exchange loss of £6m 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 on foreign currency borrowings is to reduce shareholders' funds by £104m.
- (vi) The application of merger accounting principles to the Group reconstruction (see Presentation of accounts and accounting policies Note II) gave rise to a merger adjustment which is included within other reserves. Prior year figures were restated accordingly. The movements and balances shown above under other reserves include the effect of merger accounting for the creation of the Company. The difference between the fair value of shares issued for the acquisition of Corus Nederland BV and the nominal value of those shares was credited to other reserves, as section 131 of the Companies Act 1985 gives relief from this amount being recognised as share premium.

28. Future capital expenditure

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Contracted but not provided for	48	72	52
Authorised but contracts not yet placed	20	26	53

The above figures incorporate an estimate for future inflation.

29. Operating leases

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Committed amounts payable for the next year are:			
Leases of land and buildings expiring:			
Within one year	1	–	2
In years two to five	2	2	6
After more than five years	11	7	31
	14	9	39
Other leases expiring:			
Within one year	2	2	2
In years two to five	7	10	11
After more than five years	5	1	1
	14	13	14
Future minimum lease payments for the Group at 28 Dec 2002 are:			
In one year	28	22	53
Between one and two years	26	20	48
Between two and three years	22	17	45
Between three and four years	16	12	42
Between four and five years	14	10	41
More than five years	125	63	98

30. Contingencies

	The Group		
	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Guarantees given under trade agreements	29	23	20
Uncalled share capital	1	1	1
Others	43	6	14

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.

The climate change levy was introduced in the Finance Act 2000. The levy is a tax on the supply of certain commodities such as electricity, natural gas, petroleum, coal and coke. Certain supplies are excluded (such as for domestic use or supplies made prior to Apr 2001) or exempt (such as supplies not used as a fuel including dual uses of fuel and as a feedstock). Supplies do include self supplies relating to production. The levy is calculated according to a nominal unit of energy for the commodity and persons making any taxable supply need to register. Corus has signed a negotiated agreement with the UK government allowing Corus to claim an 80% reduction in the amount of such tax up to the end of 2002. To receive the 80% reduction for the 2003 and 2004 periods, Corus will have to prove that it met certain energy efficiency targets in the milestone year of 2002. The agreement allows for a variation of the already agreed 2002 and future targets if, in the milestone year, throughput falls below 90% of the level of 1999. This variation has been triggered for 2002 and negotiations continue with the UK government to ensure Corus can continue to receive the 80% reduction. The reduction is worth approximately £28m per annum to Corus.

On 8 Nov 2001 an explosion occurred at the no. 5 blast furnace at Port Talbot works, which led to three employee fatalities, several employees suffering severe burns and the total loss of the blast furnace. Some contractors' employees also suffered injuries. The accident was initially investigated by the police but the investigation is now being led by the Health & Safety Executive. It is unlikely that a corporate manslaughter charge may be brought. It is more likely that the Company will be charged with offences under the Health & Safety at Work Act. Any convictions are likely to result in substantial fines being levied. There is also a possibility of charges against individual employees.

Corus has admitted its civil liability for the incident. Twenty three civil claims for death and personal injury have been made against the Company. Should all the relevant claimants succeed in their claims, the Company's liability could amount to several million pounds, although Corus has insurance cover in place.

As discussed in Note 36, other contingencies include an amount of €20m payable to Pechiney SA following a decision that Corus will not proceed with the sale of its Aluminium Rolled Products and Extrusions businesses.

The sale of Corus' 23% associate interest means that the UK employees of AvestaPolarit Oyj Abp are no longer eligible to be members of the British Steel Pension Scheme (BSPS). They will cease to be members of BSPS from 31 Aug 2003. Under the terms of the disposal Corus entered into an agreement to fund any net difference between the required contribution rate to meet the benefits of any new equivalent scheme, established by AvestaPolarit UK Limited, and the contributions that would have been payable to the Main Section of BSPS by Corus. No provision has been recorded in respect of the potential liability, as no obligation has yet been established. The maximum payment is capped at £18m, although the actual requirement could be substantially less.

31. Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Operating loss	(446)	(385)	(1,156)	(1,033)	(123)
Depreciation (net of grants released)	445	376	1,161	1,046	115
Change in pension prepayments and provisions	10	(16)	4	(25)	29
(Decrease)/increase in provisions for doubtful debts	(2)	(15)	19	8	11
(Decrease)/increase in insurance and other provisions	(16)	9	12	11	1
(Increase)/decrease in loose plant, tools and spares	(6)	15	86	87	(1)
Decrease/(increase) in stocks	27	41	(63)	5	(68)
Inflow from securitisation of trade debtors (Note 16)	181	–	–	–	–
Other decreases/(increases) in debtors	37	177	(97)	14	(111)
(Decrease)/increase in creditors	(83)	91	(104)	(52)	(52)
Rationalisation costs (released)/provided	(49)	16	332	322	10
Utilisation of rationalisation provisions	(57)	(137)	(94)	(67)	(27)
Net cash inflow/(outflow) from operating activities	41	172	100	316	(216)

32. Pensions and post retirement benefits**Pension schemes**

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 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 (the 'BS Scheme'). Corus Engineering Steels' employees are members of the Corus Engineering Steels Pension Scheme (the 'CES Scheme'). Most employees of Corus Nederland BV are members of either the Stichting Pensioenfond Hoogovens Scheme (the 'SPH Scheme') or the collective German Schemes (the 'CNG Schemes'). These are defined benefit schemes providing benefits based on final pay and service at retirement.

UK GAAP – SSAP 24 'Accounting for Pension Costs'

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

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m
BS, CES, SPH and CNG Schemes:			
Regular cost	125	127	211
Variation due to spreading of identified surplus	(74)	(78)	(125)
Interest	(13)	(11)	(16)
BS, CES, SPH and CNG pension costs	38	38	70
Other schemes' net pension cost	9	11	58
Total pension costs of the Group (Note 4)	47	49	128

The following amounts are included in debtors representing the excess of amounts funded over the pension charges in previous years:

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m
Falling due within one year:			
BS Scheme	9	8	13
SPH Scheme	–	–	24
Other schemes	3	–	–
	12	8	37
Falling due after more than one year:			
BS Scheme	98	94	90
SPH Scheme	205	181	176
Other schemes	17	16	7
	320	291	273

32. Pensions and post retirement benefits continued

The following amounts are included in provisions for liabilities and charges:

	12 months to 28 Dec 2002 £m	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m
CES Scheme	11	5	8
CNG Schemes	88	83	79
Other schemes	100	57	85
	199	145	172

The results of the most recent actuarial valuations of the principal schemes, which were carried out by independent qualified actuaries and used to determine the pension cost under SSAP 24, were as follows:

		BS Scheme	CES Scheme
Date of last formal valuation		31 Mar 2002	5 Apr 2002
Actuarial method used		Projected unit	Projected unit
Market value of assets at last valuation date	£m	8,168	551
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	%	111.0	85.0
Main assumptions			
Wages and salaries increases p.a.	%	4.25	4.25
Return on investments pre-retirement	%	6.50	7.00
Return on investments post-retirement	%	6.50	5.75
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 2005	5 Apr 2005

The SSAP 24 pension costs for the CES Scheme were calculated using a wages and salaries increase assumption of 3.75%. This 1% real pay growth assumption was deemed to be more appropriate.

For the SPH and CNG Schemes, the local funding valuations or calculation of provisions are not appropriate for SSAP 24. For these schemes the local actuaries recalculated, as at 29 Dec 2001, the valuation results and bases appropriate for SSAP 24. These results are detailed below:

		SPH Scheme	CNG Schemes
Actuarial method used		Projected unit	Projected unit
Market value of assets at last valuation date	£m	2,817	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	%	127.0	unfunded
Main assumptions			
Wages and salaries increases p.a.	%	2.00	3.00
Return on investments/discount rate	%	6.00	6.00
Pension increases p.a.	%	2.50	2.00
Dividends increases	%	not applicable	not applicable
Next formal valuation to be carried out as at		not applicable	not applicable

Pensions in payment and deferred pensions for the SPH Scheme have been valued at a net 4.00% discount rate.

32. Pensions and post retirement benefits continued**UK GAAP – FRS 17 ‘Retirement benefits’**

As noted on page 20 of the Review of the period the requirements of FRS 17 ‘Retirement benefits’ do not have to be fully implemented until accounting periods which begin on or after 1 Jan 2005. The results of the most recent actuarial valuations have been updated at Dec 2002 by qualified independent actuaries in accordance with FRS 17. The following disclosures relate to the transitional arrangements under this standard. They outline the amounts that would be recognised under its accounting requirements, in the profit and loss account, balance sheet and statement of total recognised gains and losses.

It should be noted that each scheme’s ongoing funding arrangements, in place to meet their long term pension liabilities, are governed by the individual scheme documentation and national legislation and not by FRS 17 disclosure requirements or other accounting standards.

	28 Dec 2002 BS Scheme %	28 Dec 2002 CES, SPH and CNG Schemes %	29 Dec 2001 BS Scheme %	29 Dec 2001 CES, SPH and CNG Schemes %
The major assumptions used by the actuaries were:				
Rate of increase in salaries	4.00	2.75 to 3.25	4.25	2.00 to 3.49
Rate of increase in pension payment	2.25	2.00 to 2.50	2.50	2.00 to 2.49
Discount rate	5.50	5.50	6.00	5.75 to 6.00
Inflation assumption	2.25	2.00 to 2.50	2.50	2.00 to 2.49

Pensions in payment and deferred pensions for the SPH Scheme have been valued at a net 4.00% discount rate.

	28 Dec 2002 BS Scheme %	28 Dec 2002 CES, SPH and CNG Schemes %	29 Dec 2001 BS Scheme %	29 Dec 2001 CES, SPH and CNG Schemes %
The expected long term rates of return were:				
Equities	8.00	7.00 to 8.00	6.50	7.45 to 8.00
Bonds	4.70	4.50 to 5.00	5.00	4.50 to 4.95
Property	6.50	6.00 to 7.00	6.50	6.00 to 7.45
Other	3.80	7.00	4.00	–

	28 Dec 2002 BS Scheme £m	28 Dec 2002 CES, SPH and CNG Schemes £m	29 Dec 2001 BS Scheme £m	29 Dec 2001 CES, SPH and CNG Schemes £m
The market values of investments in the schemes were:				
Equities	2,669	1,224	3,472	1,521
Bonds	4,078	1,368	4,085	1,387
Property	389	302	387	276
Other	244	121	127	–
	7,380	3,015	8,071	3,184

Profit and loss account note

	12 months to 28 Dec 2002 £m
Analysis of the amount to be charged to operating profit for the year:	
Current service cost	133
Termination benefit	6
Total operating charge	139

	12 months to 28 Dec 2002 £m
Analysis of the amount to be credited to other finance income for the year:	
Expected return on pension scheme assets	648
Interest cost on pension scheme liabilities	(553)
Net return	95

32. Pensions and post retirement benefits continued

Balance sheet note

The following amounts at 28 Dec 2002 were measured in accordance with the requirements of FRS 17.

	28 Dec 2002 BS Scheme £m	28 Dec 2002 CES, SPH and CNG Schemes £m	29 Dec 2001 BS Scheme £m	29 Dec 2001 CES, SPH and CNG Schemes £m
Total market value of assets	7,380	3,015	8,071	3,184
Present value of scheme liabilities	(7,020)	(3,287)	(6,533)	(2,969)
Surplus/(deficit) in the scheme	360	(272)	1,538	215
Non recoverable surplus	-	-	(503)	-
Non recoverable surplus/(deficit)	360	(272)	1,035	215
Related deferred tax (liability)/asset	(108)	88	(311)	(74)
Net pension asset/(liability)	252	(184)	724	141

Movement in surplus during the year

	12 months to 28 Dec 2002 BS Scheme £m	12 months to 28 Dec 2002 CES, SPH and CNG Schemes £m	Total £m
Surplus in scheme at beginning of the year	1,538	215	1,753
Movement in year:			
Current service cost	(102)	(31)	(133)
Contributions	13	33	46
Termination benefit	-	(6)	(6)
Other finance income	70	25	95
Actuarial losses	(1,159)	(516)	(1,675)
Exchange rate movements	-	8	8
Surplus/(deficit) in scheme at end of the year	360	(272)	88

During the year contributions to the main and acquisitions sections of the BS Scheme were at the rate of 2% and 11.6% of pensionable earnings respectively. With effect from 1 Apr 2003 contributions will be 0% for the main section and 12.3% in the acquisition section, subject to review at future actuarial valuations.

Contributions to the CES Scheme during the year were at the rate of 12% of pensionable salaries. Active members of the CES Scheme are being offered membership of the acquisition section of the BS Scheme for future service, with effect from 1 Apr 2003.

In 2002, contributions of €51m were paid to the SPH Scheme of which €38m were paid by the employer with the balance being met by employees. The estimated contributions for 2003 are €65m, being employers €47m and employees €18m.

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	28 Dec 2002 £m	29 Dec 2001 £m
Net assets	2,769	3,121
Adjust for:		
SSAP 24 prepayments net of deferred tax	(211)	(190)
SSAP 24 provisions net of deferred tax	62	54
Net assets excluding SSAP 24 pension assets/liabilities	2,620	2,985
FRS 17 pension asset	68	865
Net assets including FRS 17 pension asset	2,688	3,850

	28 Dec 2002 £m	29 Dec 2001 £m
Profit and loss reserve	(1,389)	(1,047)
Adjust for:		
SSAP 24 prepayments net of deferred tax	(211)	(190)
SSAP 24 provisions net of deferred tax	62	54
Profit and loss reserve excluding SSAP 24 pension assets/liabilities	(1,538)	(1,183)
FRS 17 pension reserve	68	865
Profit and loss reserve including FRS 17 pension reserve	(1,470)	(318)

32. Pensions and post retirement benefits continued**Amounts to be recognised in the statement of total recognised gains and losses (STRGL):**

	12 months to 28 Dec 2002 £m
Actual return less expected return on pension scheme assets	(1,236)
Experience gains and losses arising on the scheme liabilities	(42)
Changes in assumptions underlying the present value of the scheme liabilities	(378)
Past service costs extinguished by non recoverable surplus	(19)
Actuarial loss	(1,675)
Non recoverable surplus at beginning of year	503
Actuarial loss recognised in STRGL	(1,172)

History of experience gains and losses:

	12 months to 28 Dec 2002
Difference between the expected and actual return on scheme assets:	
Amounts (£m)	(1,236)
Percentage of scheme assets (%)	(11.9)
Experience gains and losses on scheme liabilities:	
Amount (£m)	(42)
Percentage of the present value of the scheme liabilities (%)	0.4
Total amount recognised in statement of total recognised gains and losses:	
Amount (£m)	(1,172)
Percentage of the present value of the scheme liabilities (%)	11.4

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 87 'Employers' Accounting for Pensions' and SFAS 88 'Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits'. For disclosure purposes, the Group adopts SFAS 132 'Employers' Disclosures about Pensions and other Post Retirement 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 87 are as follows:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Service cost	139	167	203
Interest cost	370	358	452
Expected return on scheme assets	(560)	(565)	(665)
Amortisation of gains	(32)	(64)	(34)
Amortisation of prior service cost	14	38	49
Amortisation of transition asset	(2)	(4)	(5)
Net periodic benefit (credit)/cost under SFAS 87	(71)	(70)	-

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

		28 Dec 2002	29 Dec 2001	30 Dec 2000
Discount rate	%	5.50	5.00	4.75
Rate of future salary increases	%	4.00	4.25	4.25
Rate of future pension increases	%	2.25	2.50	2.50
Expected long term rate of return on scheme assets	%	6.00	6.25	6.00

32. Pensions and post retirement benefits continued

The disclosure requirements for the BS Scheme under SFAS 132, as calculated under SFAS 87, are as follows:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Change in benefit obligation:			
Benefit obligation at beginning of period	7,591	7,746	7,499
Service cost	139	167	203
Interest cost	370	358	452
Employee contributions	29	32	44
Actuarial movement	(716)	(333)	7
Scheme amendments	19	–	–
Benefits paid	(376)	(379)	(459)
Benefit obligation at end of period	7,056	7,591	7,746
Change in scheme assets:			
Fair value of scheme assets at beginning of period	8,071	8,939	8,450
Actual return on scheme assets	(357)	(537)	885
Employer contributions	13	16	19
Employee contributions	29	32	44
Benefits paid	(376)	(379)	(459)
Fair value of scheme assets at end of period	7,380	8,071	8,939
Reconciliation of funded status:			
Fair value of scheme assets at end of period	7,380	8,071	8,939
Projected benefit obligation	(7,056)	(7,591)	(7,746)
Funded status	324	480	1,193
Unrecognised net gain at date of initial application of SFAS 87	–	(2)	(6)
Unrecognised prior service cost	125	120	158
Other unrecognised net loss/(gain)	14	(219)	(1,052)
Net amount recognised	463	379	293

On adoption of SFAS 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 has now been fully recognised.

Changes in the pension arrangements made in 1999 and 2002 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 28 Dec 2002, there was an unrecognised actuarial loss of £14m (29 Dec 2001: gain of £219m; 30 Dec 2000: gain of £1,052m) 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 CES, SPH and CNG Schemes' pension cost under SFAS 87 are as follows:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Service cost	40	46	94
Termination benefit	21	–	–
Interest cost	163	182	197
Expected return on scheme assets	(199)	(219)	(242)
Amortisation of (gains)/losses	(17)	(6)	5
Amortisation of prior service cost	4	3	–
Amortisation of transition liability	2	2	3
Net periodic benefit cost under SFAS 87	14	8	57

In 2002, the Group has recognised a minimum pension liability. US GAAP required the employer to recognise an additional minimum pension liability to the extent that the accumulated benefit obligation exceeds the fair value of the plan assets and this shortfall is not covered by the pension liability already recognised in the balance sheet. This results in a charge to other comprehensive income equal to the additional minimum pension liability but adjusted to take account of the intangible asset, which represents the unrecognised transition obligation.

32. Pensions and post retirement benefits continued

The combined defined benefit obligations and pension costs for the CES, SPH and CNG Schemes were determined using the following assumptions:

		28 Dec 2002	29 Dec 2001	30 Dec 2000
Discount rate	%	5.50	5.00 to 6.00	4.75 to 6.00
Rate of future salary increases	%	2.75 to 3.25	2.00 to 4.25	3.00 to 4.25
Rate of future pension increases	%	2.00 to 2.50	2.00 to 2.50	2.00 to 2.50
Expected long term rate of return on scheme assets	%	6.25 to 6.30	6.00 to 6.25	6.00 to 6.50

Pensions in payment and deferred pensions for the SPH Scheme have been valued at a net 4.00% discount rate.

The disclosure requirements for the CES, SPH and CNG Schemes under SFAS 132, as calculated under SFAS 87, are as follows:

	28 Dec 2002 £m	29 Dec 2001 £m	30 Dec 2000 £m
Change in benefit obligation:			
Benefit obligation at beginning of period	2,900	3,265	670
Benefit obligation arising from SPH and CNG Schemes	–	–	2,629
Service cost	40	46	94
Termination benefit	21	–	–
Interest cost	163	182	197
Employee contributions	11	15	15
Actuarial movement	125	(409)	(138)
Scheme amendments	–	18	–
Exchange rate movements	154	(73)	(73)
Benefits paid	(151)	(144)	(129)
Benefit obligation at end of period	3,263	2,900	3,265
Change in scheme assets:			
Fair value of scheme assets at beginning of period	3,184	3,473	565
Fair value of scheme assets arising from SPH and CNG Schemes	–	–	2,659
Actual return on scheme assets	(230)	(145)	390
Employer contributions	33	40	39
Employee contributions	11	15	15
Other changes	–	32	–
Exchange rate movements	168	(87)	(66)
Benefits paid	(151)	(144)	(129)
Fair value of scheme assets at end of period	3,015	3,184	3,473
Reconciliation of funded status:			
Fair value of scheme assets at end of period	3,015	3,184	3,473
Projected benefit obligation	(3,263)	(2,900)	(3,265)
Funded status	(248)	284	208
Unrecognised net loss at date of initial application of SFAS 87	11	13	16
Unrecognised prior service cost	57	58	45
Other unrecognised net loss/(gain)	198	(362)	(308)
Net amount recognised	18	(7)	(39)
Of which:			
Prepaid pension cost	215	154	116
Accrued benefit liability (excluding additional minimum liability)	(197)	(161)	(155)
Net amount recognised	18	(7)	(39)
Amounts recognised in the statement of financial position consist of:			
Accrued benefit liability (including additional minimum liability)	(275)	(161)	(155)
Intangible asset	11	–	–
Accumulated other comprehensive income	67	–	–
Accrued benefit liability (excluding additional minimum liability)	(197)	(161)	(155)

For the CES and CNG Schemes, the accumulated benefit obligation ('ABO') at 28 Dec 2002, totalling £711m, exceeded the fair value of plan assets of these Schemes, £450m at that date. The ABO represents the actuarial present value of the benefits which the employee has accrued at the measurement date, assuming the employee separates immediately, in accordance with EITF 88-1.

33. Emoluments of directors

Details of directors' emoluments and share options are shown on pages 34 to 42.

34. Acquisitions

During the period the Group acquired Erik Olsson and Söner, on 21 Aug 2002, for £9m. In addition the Company made a public offering for Precoat International plc which was declared unconditional as to acceptances on 6 Dec 2002, with an expected cost of £7m. All consideration on both acquisitions, which was for settlement in cash and unconditional, is to be paid during 2003. Both subsidiary groups have been accounted for in the current period using the acquisitions accounting principles (see Presentation of accounts and accounting policies Note II) with goodwill of £5m arising. No material revaluations or fair value adjustments were necessary in calculating this goodwill. The directors do not consider that these acquisitions had a material impact on the results or cash flows for the period. Further to these transactions an additional payment of £1m has been made for a previously acquired subsidiary, giving rise to an equal amount of additional goodwill in the period.

35. Disposals

In Sep 2000 Corus announced the creation of AvestaPolarit Oyj Abp to be formed by the merger of its subsidiary, Avesta Sheffield AB (publ), with the stainless steel activities of Finnish producer Outokumpu Oyj. With effect from 22 Jan 2001 Avesta Sheffield AB (publ), ceased to be a subsidiary of Corus and, from the same date, AvestaPolarit Oyj Abp became an associated undertaking. The Group effected a transfer of its 51% subsidiary investment in exchange for a 23.2% associate interest in AvestaPolarit Oyj Abp. Goodwill of £100m arose on this transaction.

On 1 Jul 2002 Corus disposed of all of its shareholding in AvestaPolarit Oyj Abp for proceeds of £356m. As discussed on page 56, where relevant the results arising from the investment in AvestaPolarit Oyj Abp and the predecessor investment in the subsidiary Avesta Sheffield AB (publ) have been treated as a discontinued segment in these financial statements.

In addition Corus made a number of other disposals during the period, as follows:

- (i) Corus Aluminium Canada Inc. and subsidiaries, on 17 Sep 2002 for proceeds of £107m (of which £12m was for the settlement of internal debt). This group of companies held Corus' stake in the Aluminerie Alouette aluminium smelter in Canada;
- (ii) Corus Service Centre Sidal GmbH on 30 Jun 2002 for proceeds of £2m; and
- (iii) Galtec NV, a joint venture, on 28 Mar 2002 for proceeds of £12m.

The results of these businesses during the period were not considered to be material to the Group.

	AvestaPolarit Oyj Abp £m	Other £m	Total £m
The net assets disposed of were as follows:			
Intangible fixed assets (Note 11)	–	2	2
Tangible fixed assets	–	2	2
Cost of investment in joint ventures and associated undertakings (Note 13)	273	135	408
Goodwill on joint ventures and associated undertakings (Note 13)	90	–	90
Retained reserves of joint ventures and associated undertakings (Note 13)	8	(59)	(51)
Provisions against joint ventures and associated undertakings (Note 13)	–	(27)	(27)
Stocks	–	8	8
Debtors	–	3	3
Creditors	–	(32)	(32)
Provisions (Note 25)	–	(2)	(2)
Net assets disposed of	371	30	401
Goodwill reinstated on disposal	33	–	33
(Loss)/profit on disposal	(48)	67	19
Cash received	356	97	453

All consideration on disposal was received as cash during the period, other than the proceeds for Galtec NV which had been received in advance of completion, prior to 29 Dec 2001.

During the period, the trade and assets of the Group's 25% US joint venture Trico Steel LLC were sold to Nucor Corporation. Prior to this Trico Steel LLC had filed for Chapter 11 protection from creditors, and was fully provided against at Dec 2000. All investment costs, retained losses and associated provisions have been shown as disposals in the current period, in the table above. However the Group does retain a shareholding in the remaining shell company.

36. Post balance sheet events

- (i) As discussed in Note 20, on 30 Dec 2002 the Company reduced its main available bank facility by voluntary cancellation of €460m, of which €260m would have matured in Jan 2003 and €100m in Mar 2003. The facility now stands at €1,400m of which €455m was utilised as at 28 Dec 2002.
- (ii) On 23 Oct 2002, Corus announced that it had agreed in principle to the sale of its Aluminium Rolled Products and Extrusions businesses to Pechiney SA for €861m (approximately £543m). It was intended that a definitive sale and purchase agreement would be entered into following completion of internal consultation, advice and approval processes. However, the Supervisory Board of Corus Nederland BV decided on 10 Mar 2003 to reject the recommendation to proceed with the sale. On 11 Mar 2003 Corus Group plc announced it would commence proceedings before the Enterprise Chamber of the Amsterdam Court of Appeal to seek redress in respect of this decision. However, this request was unsuccessful and, as no appeal procedure is available to resolve the issue in time for the sale to proceed, Corus accepts the Court's decision as final. Pechiney has been informed that Corus will not now proceed with the sale and as a result, a break fee of €20m is payable to Pechiney.
- (iii) In the light of the Company's performance, the Board including Mr Tony Pedder, Chief Executive, concluded that a change of leadership was required. Mr Pedder tendered his resignation on 13 Mar 2003 and this was accepted with immediate effect. The procedure for the recruitment of a new Chief Executive is underway. Mr Stuart Pettifor, a main Board executive director, was appointed Chief Operating Officer, taking responsibility for all operational matters. Sir Brian Moffat agreed to defer his planned retirement to become full time Chairman until his successor is appointed.

37. Main subsidiaries and investments

The most important subsidiary undertakings, joint ventures and associates of the Group at 28 Dec 2002 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

Cogent Power Limited (75% owned)
Corus UK Limited
Orb Electrical Steels Limited (75% owned)

Austria

Corus Aluminium Verkauf GmbH

Belgium

Corus Aluminium NV

Canada

Corus LP (60% owned)
Corus CIC Inc

China

Corus Aluminium Extrusions Tianjin Co Limited
(61.09% owned)

Czech Republic

Corus Central Europe s.r.o

Denmark

Corus Byggesystemer A/S

Finland

Corus Finland Oy

France

Corus France SA
Monopanel SA
Myriad SA
Sogerrail SA
Unitol SA

Germany

Blume Stahlservice GmbH
a Corus Aluminium Profiltechnik GmbH
Corus Aluminium Profiltechnik Bonn GmbH
Corus Aluminium Voerde GmbH
Corus Aluminium Walzprodukte GmbH
Corus Degels GmbH
Fischer Profil GmbH
Hille & Müller GmbH & Co.KG
Kienle & Spiess GmbH (75% owned)

Hong Kong

Corus (Asia) Limited

Hungary

Kienle & Spiess Hungary Ipari Kft (75% owned)

Ireland (Republic of)

The Steel Company of Ireland Limited

Italy

Corus Italia Srl

Japan

Corus Aluminium Japan Limited

Mexico

Cogent Power Inc Mexico (75% owned)

Netherlands

Aluminium Delfzijl BV
Corus Met BV
Corus Nederland BV (formerly Koninklijke Hoogovens NV) a, c
Corus Perfo BV
Corus Staal BV
Corus Technology BV
Corus Tubes BV
Corus Vliet & de Jonge BV
Feijen Staalservice BV
Multi Steel BV
Namascor BV
S.A.B. Profiel BV

37. Main subsidiaries and investments continued*New Zealand*

Corus New Zealand Limited

Norway

Corus Norge AS

Corus Packaging Plus Norway AS

Poland

Corus Polska Sp.zo.o

Portugal

Corus-Sistemas Construtivos e Revestimentos Metalicos LDA

Singapore

Corus Building Systems Pte Limited

Spain

Corus SA

Laminacion y Derivados SA

Sweden

Surahammar Bruks AB (75% owned)

Switzerland

Montana-Bausysteme AG

Joint ventures**Steel processing or related activities:**

			Issued capital Number of shares	% held
<i>Belgium</i>				
Steel24-7 SA	b	shares of €1	33,000,000	25
<i>England and Wales</i>				
Caparo Merchant Bar plc	b	ordinary shares of £1	2,466,667	25
<i>Norway</i>				
Norsk Stål AS		shares of NOK1,000	63,500	50
Norsk Stål Tynnplater AS		shares of NOK1,000	26,500	50
<i>Portugal</i>				
Lusosider Projectos Siderurgicos SA	b	shares of €5	1,825,000	50
<i>Turkey</i>				
Corus Celik Ticaret AS		shares of TRL100,000	800	50

Unless indicated otherwise, subsidiary undertakings are wholly owned within the Group, and the Group holding comprises ordinary shares and 100% of the voting rights.

(a) The Company only owns shares directly in those marked 'a' (Corus UK Limited 100% and Corus Nederland BV 19%). All other undertakings are owned by other subsidiaries of the Company.

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

(c) Corus Nederland BV and each of its subsidiaries have prepared accounts to 31 Dec 2002 for inclusion in these Group accounts, in accordance with their local statutory requirements.

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 the loss for the financial period and shareholders' equity in accordance with US GAAP are shown in the tables set out below.

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Loss for financial period					
Loss attributable to shareholders – UK GAAP	(458)	(419)	(1,042)	(940)	(102)
Adjustments:					
Amortisation of goodwill (i)	9	(5)	(19)	(15)	(4)
Impairment of US GAAP goodwill on adoption of SFAS 142 (net of release of negative goodwill) (i)	(22)	–	–	–	–
Accelerated depreciation (ix)	(151)	(21)	327	327	–
Depreciation of fixed assets (xi)	–	5	–	–	–
Interest costs capitalised (ii)	6	8	30	23	7
Depreciation of capitalised interest (ii)	(18)	(16)	(37)	(32)	(5)
Pension costs (iii)	95	100	10	7	3
Stock-based employee compensation awards (iv)	(15)	(9)	(10)	(8)	(2)
Profit/(loss) on commodity derivatives (x)	22	(25)	–	–	–
Profit/(loss) on foreign currency derivatives (x)	5	(4)	–	–	–
Disposal of group undertakings (vi)	123	(202)	–	–	–
Profit on disposal of fixed assets (xii)	(23)	–	–	–	–
Deferred taxation (viii)	29	18	(28)	(30)	2
Minority interests	–	–	(1)	(1)	–
Loss for financial period – US GAAP	(398)	(570)	(770)	(669)	(101)
Loss per ADS in accordance with US GAAP (Basic and diluted):					
Continuing operations, before adoption of SFAS 142	£(1.20)	£(1.83)	£(2.48)	£(2.16)	£(0.32)
Cumulative effect of adoption of SFAS 142, net of tax	£(0.07)	–	–	–	–
	£(1.27)	£(1.83)	£(2.48)	£(2.16)	£(0.32)
	No. m	No. m	No. m	No. m	No. m
Weighted average number of ADSs in issue	313	312	311	311	308
Effect of potential conversion of 4.625% bonds (Note 10)	10	10	10	10	10
Effect of potential conversion of 3% bonds (Note 10)	23	–	–	–	–
Number of ADSs as basis of calculation of diluted earnings per ADS	346	322	321	321	318
			28 Dec 2002	29 Dec 2001	30 Dec 2000
			£m	£m	£m
Shareholders' equity					
Shareholders' equity – UK GAAP			2,722	3,061	3,495
Adjustments:					
Additional goodwill under US GAAP (i)			6	99	167
UK GAAP goodwill on AvestaPolarit Oyj Abp (vii)			–	(93)	–
Purchase consideration (v)			(26)	(26)	(28)
Fixed assets (xi)			–	(77)	–
Accelerated depreciation (ix)			155	306	327
Interest costs capitalised (net of depreciation) (ii)			111	119	140
Pension costs (iii)			286	242	142
Deferred taxation (viii)			(129)	(178)	(196)
Liabilities for derivatives (x)			(2)	(29)	–
Deferred profits on fixed asset disposals (xii)			(23)	–	–
Minority interests			–	–	(7)
Shareholders' equity in accordance with US GAAP			3,100	3,424	4,040

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 it to comply with US GAAP.

	12 months to 28 Dec 2002	12 months to 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited
	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities in accordance with UK GAAP	41	172	100	316	(216)
Proceeds from securitisation (Note 16) (xiii)	(181)	–	–	–	–
Dividends from joint ventures and associated undertakings	8	9	6	5	1
Returns on investments and servicing of finance, net of issue costs	(83)	(110)	(112)	(117)	5
Tax (paid)/received	(14)	13	43	42	1
Net cash (used in)/provided by operating activities in accordance with US GAAP	(229)	84	37	246	(209)
Capital expenditure and financial investment	(57)	(130)	(291)	(216)	(75)
Acquisitions and disposals	445	45	(259)	(101)	(158)
Net sale/(purchase) of other short term investments	7	(6)	1	2	(1)
Net cash provided by/(used in) investing activities	395	(91)	(549)	(315)	(234)
Net cash (outflow)/inflow from financing activities	(263)	(60)	(469)	184	(653)
Proceeds from securitisation (Note 16) (xiii)	181	–	–	–	–
Increase/(decrease) in short term borrowings	9	(31)	6	(70)	76
Issue costs of new loans	(4)	–	–	–	–
Equity dividends paid	–	–	(31)	(31)	–
Net cash (used in)/provided by financing activities in accordance with US GAAP	(77)	(91)	(494)	83	(577)
Exchange translation effects	3	4	7	6	1
Net increase/(decrease) in cash and cash equivalents in accordance with US GAAP	92	(94)	(999)	20	(1,019)
Cash and cash equivalents at beginning of period	177	271	1,270	251	1,270
Cash and cash equivalents at end of period	269	177	271	271	251
Cash and cash equivalents are:					
Cash at bank and in hand	230	173	231	231	147
Deposits within 3 months of maturity when acquired (Note 17)	39	4	40	40	104
	269	177	271	271	251

Use of estimates

The preparation of financial statements to conform with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant techniques for estimation are discussed in the Presentation of accounts and accounting policies on pages 51 to 53. Also, the most significant accounting policies that impact on Group results are discussed in the Review of the period on pages 19 to 21.

Comprehensive income

In Jun 1997, the US Financial Accounting Standards Board issued SFAS 130 'Reporting Comprehensive Income'. The standard establishes requirements for the reporting of comprehensive income and its components (revenue, expenses, gains and losses) in a full set of general purpose financial statements. Components of comprehensive income for the Group determined on a UK GAAP basis include profit/loss for the financial year and foreign currency translation gains and losses. Information regarding the Group's foreign currency translation gains and losses is included in the statement of total recognised gains and losses under UK GAAP on page 48.

United States generally accepted accounting principles continued

(i) Goodwill

Under UK GAAP, on all acquisitions completed prior to 1 Apr 1998, Corus immediately wrote off any positive or negative goodwill to retained earnings. This goodwill is reflected in the income statement of the period of any subsequent divestment, as part of the calculation of the profit or loss on disposal.

From 1 Apr 1998, under UK GAAP, goodwill on acquisitions is held as an intangible asset in the balance sheet and amortised over its useful life. Only the unamortised portion is included in the gain or loss recognised in the period of disposal. This more recent treatment was consistent with US GAAP up to 29 Dec 2001.

From 30 Dec 2001 Corus has adopted SFAS 142 'Goodwill and Other Intangible Fixed Assets' for US GAAP purposes. This standard does not allow the amortisation of goodwill. Instead, impairment reviews must be carried out at least annually to assess the recoverability of indefinite-lived intangible assets and goodwill. Therefore, from 30 Dec 2001 any goodwill amortisation charged under UK GAAP is added back to arrive at US GAAP earnings. In the period to 29 Dec 2001 amortisation expenses under US GAAP were £23m (30 Dec 2000: £31m; 2 Oct 1999: £7m; 3 Apr 1999: £14m; 28 Mar 1998: £14m). Adjusting for these charges would have reduced the US GAAP losses/increased earnings reported in these prior periods by an equivalent amount.

Prior to the adoption of SFAS 142 there was unamortised goodwill of £206m under US GAAP, which arose as £188m on carbon steel and £18m on aluminium reporting units. Upon adoption of the standard, Corus undertook a review of this goodwill, based on discounted cash flows for each reporting unit to which the goodwill related. These transitional reviews indicated that the goodwill of £99m being adjusted in the US GAAP reconciliation of shareholders' equity at 29 Dec 2001 was fully impaired. This impairment has been charged to US GAAP earnings in the current period as a cumulative effect upon the adoption of SFAS 142. This goodwill largely related to the original acquisition of C Walkers & Sons (Holdings) Limited, which is now integrated as part of the Corus distribution and stockholding business.

In addition, during the period Corus has charged £28m to earnings under US GAAP, for impairments of goodwill, mainly on its investment in Kienle & Spiess. This charge was based on discounted cash flows for the business, after a review of the current trading environment in which this subsidiary operates.

After goodwill disposals of £2m and additions of £6m, this left unamortised goodwill of £83m as at 28 Dec 2002, of which £71m related to carbon steel and £12m to aluminium reporting units.

(ii) Capitalisation of interest costs

Under UK GAAP, Corus does not capitalise interest in its financial statements. However, for US GAAP reporting, the estimated amount of interest incurred in connection with the financing of expenditure for major capital projects is included within fixed assets. This interest is then depreciated over the lives of the related assets.

(iii) Pensions costs

Under both UK GAAP and US GAAP pension costs are charged to earnings so as to reflect the provision against future pension liabilities. There are differences in the method of calculating these charges and the valuation of any pension asset or liability to be included in the balance sheet. Therefore, a reconciling item from UK to US GAAP earnings is necessary to reflect these differences.

In detail, under UK GAAP the expected cost of providing pension benefits is charged to earnings so as to spread the cost over the expected average remaining service lives of employees. Under US GAAP the pension charge is based on the estimated cost of benefits accruing in the period (as adjusted to reflect any surplus or deficit in the scheme at the date of adopting SFAS 87). However this charge is adjusted to reflect the cost of benefit improvements and any surplus or deficit that emerges as a result of actuarial assumptions being different from actual values. Only those surpluses or deficits falling outside a 10% 'corridor' are recognised.

(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. Corus has elected to adopt the provisions of SFAS 123 in accounting for its stock-based employee compensation awards. SFAS 123 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:

	28 Dec 2002	29 Dec 2001	30 Dec 2000
Risk free interest rate	n/a	5.0%	6.4%
Expected life	n/a	4 years	4 years
Expected volatility	n/a	45%	35%
Dividend yield	n/a	4.45%	4.45%
Weighted average fair values of options granted in the period	n/a	£0.56	£0.30

There were no new awards during the current period.

United States generally accepted accounting principles continued

(v) Purchase consideration

Under UK GAAP the fair value of the shares offered as consideration for the acquisition of Corus Nederland BV was 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 was based on the market price of the shares when the principle terms of the acquisition were announced, 7 Jun 1999. This difference resulted in a lower purchase consideration under US GAAP which means the recognised capital issued and goodwill on the Corus Nederland BV acquisition is lower.

(vi) Disposal of group undertakings

On 23 Jan 2001, AvestaPolarit Oyj Abp was created by the merger of the Corus subsidiary Avesta Sheffield AB (publ) and the stainless steel activities of Outokumpu Oyj. Under UK GAAP this combination was treated as an exchange of shares, with AvestaPolarit Oyj Abp becoming an associated undertaking. Under US GAAP the transaction would be treated as a disposal of a subsidiary followed by a separate acquisition of an associate. This gave rise to a loss on the sale of Avesta Sheffield AB (publ), for US GAAP purposes, in the 12 months to 29 Dec 2001.

The loss was calculated as the difference between the US GAAP carrying value of Avesta Sheffield AB (publ) and the fair value of shares in AvestaPolarit Oyj Abp received as consideration. The US GAAP carrying value had included amounts for unamortised goodwill, capitalised interest costs and deferred taxation that were different from the UK GAAP carrying value. There was also an adjustment for minority interests in Avesta Sheffield AB (publ). These additional amounts were eliminated from the relevant lines in the US GAAP reconciliation of equity, in 2001.

During the current period the investment in AvestaPolarit Oyj Abp was sold. Under UK GAAP the unamortised element of any goodwill arising on the formation of the associate has been charged against earnings as part of the loss on disposal. In addition any goodwill previously written off directly to reserves in respect of the investment in AvestaPolarit Oyj Abp has also been charged against the loss on disposal (see note (vii)).

Under US GAAP these balances of goodwill had previously been dealt with as part of the original disposal of the subsidiary investment in Avesta Sheffield AB (publ). They have been added back to UK GAAP earnings in the period as part of the US GAAP reconciliation.

(vii) UK GAAP goodwill on AvestaPolarit Oyj Abp

The different treatments for the formation of AvestaPolarit Oyj Abp described in note (vi) mean that the carrying value of this associate as at 29 Dec 2001 was different when comparing the UK GAAP and US GAAP balance sheets. In particular under UK GAAP the treatment as an exchange of shares gave rise to positive goodwill. This goodwill was then eliminated in the US GAAP reconciliation. Furthermore under UK GAAP an amount of £33m of goodwill arising on the original acquisition of Avesta Sheffield AB (publ) remained written off against retained earnings, as the original acquisition was made before 1 Apr 1999, as per note (i).

Following the sale of the stake in AvestaPolarit Oyj Abp in 2002 the unamortised element of goodwill was charged to the profit and loss account on disposal under UK GAAP. Therefore no adjustment for this balance is necessary in the 2002 reconciliation of UK to US GAAP equity.

(viii) Deferred taxation

Following the adoption of FRS 19 'Deferred Tax' under UK GAAP by Corus in the period to 29 Dec 2001, the treatment of deferred tax under UK and US GAAP is more similar than in prior periods. However Corus has chosen to discount deferred tax balances under UK GAAP. Discounting is prohibited for US reporting. The remaining differences on deferred taxation mainly relate to the taxation effects of all the other US GAAP adjustments.

(ix) Accelerated depreciation

Under UK GAAP if there is an indication of impairment then relevant assets should be tested for impairment and if necessary written down to their value in use. The value in use is calculated based on discounted future pre-tax cash flows related to the asset or the income-generating unit to which the asset belongs.

US GAAP assesses whether impairment is necessary based on undiscounted cash flows. An impairment loss exists if the sum of these cash flows is less than the carrying value of the assets. The impairment loss is measured as the difference between fair value and carrying value of the assets.

Certain of the asset impairments charged under UK GAAP in the period to 30 Dec 2000 did not meet the undiscounted cash flow test required by US GAAP. Therefore the impairments would not be recognised in the US GAAP loss. However, additional depreciation of £20m (29 Dec 2001: £21m) on these assets would continue to be charged to US GAAP earnings.

United States generally accepted accounting principles continued

The impairments made in 2000 that were allowed under US GAAP totalled £263m and were largely related to the following carbon steel assets at the UK locations shown:

- Llanwern: the closure of the iron and steelmaking operations; the closure of the annealing and tempering facilities, and a reduction in activity at the hot strip mill and cold mill operations;
- Ebbw Vale: site closure;
- Shotton: the closure of the pickle line, cold mill and one electro-zinc line;
- Teesside: the closure of the coil plate mill; and
- Bryngwyn: site closure.

These impairments arose following a strategic review by Corus of its UK carbon steel activities. This review proposed a reduction of over 3 million tonnes per annum in UK flat products. In determining the impairment charges, future cash flows for the income-generating units holding these assets were discounted at the Group's weighted average cost of capital as adjusted for specific risks of the income-generating units. The cash flows used covered a period equivalent to the average remaining lives of the fixed assets to provide an estimate of their value in use.

Following the 2000 impairments, reviews of the value in use of fixed assets of the UK steel production and processing related income-generating units affected by this restructuring have been performed annually, to comply with the requirements of UK GAAP. Continuing losses mean that the impairment reviews in the current period have given rise to additional charges of £206m under US GAAP, of which £89m was recognised under UK GAAP in the current period and £117m as at 30 Dec 2000.

In addition to the impairment charges for UK assets, at Dec 2000 the Group provided accelerated depreciation for the write down of direct reduced iron facilities in Mobile, USA, following a decision to mothball the plant.

UK GAAP allows the reversal of an impairment loss where the recoverable amount increases due to a change in economic conditions or in the expected use of an asset. Such reversals are prohibited under US GAAP. In the current period £14m of previously recognised impairment charges have been credited to UK GAAP earnings (see Note 3). This credit has been reversed in the US GAAP reconciliation.

(x) Derivatives

SFAS 133, 'Accounting for Derivative Instrument and Hedging Activities' establishes accounting and reporting standards for derivative instruments and hedging activities. In general, SFAS 133 requires that companies recognise all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. Corus adopted SFAS 133, for US reporting purposes, on 1 Jan 2001. Upon adoption of SFAS 133, derivative liabilities of approximately £4m in respect of commodity contracts and derivative assets of £4m in respect of currency contracts were recognised in shareholders' funds with an equivalent offset to the net income statement. Future changes in fair value are recorded in the net income statement for US reporting purposes. Under UK GAAP no account is taken of unrealised profits or losses on open commodity or exchange contracts that are intended as a hedge. Such profits or losses are accounted for at the time that the underlying transaction is completed.

(xi) Fixed assets

For US GAAP, the fair value of the shares offered as purchase consideration for the stake in AvestaPolarit Oyj Abp was less than the fair value of the share of net assets acquired by Corus in the new company. This difference, or negative goodwill, was treated as a deduction from the carrying value of fixed assets in the reconciliation of US GAAP equity. It was then being amortised over a period of 15 years.

As part of the adoption of SFAS 141 'Business Combinations' the Group wrote off the negative goodwill associated with AvestaPolarit Oyj Abp of £77m, on 30 Dec 2001 as a cumulative change in accounting principle. SFAS 141 prescribes the initial recognition and measurement of goodwill and other intangible assets, accounting for negative goodwill and the required disclosures in respect of business combinations.

(xii) Profit on disposal of fixed assets

Under UK GAAP any profit or loss arising on the sale and operating leaseback of fixed assets may generally be taken to the profit and loss account immediately in the period in which the sale takes place. However for US GAAP purposes, under SFAS 28 'Accounting for Sales with Leasebacks' any such gain or loss must be deferred and amortised over the contract lease period.

(xiii) Securitisation of trade receivables

As discussed in Note 16, the Group launched a revolving period debtors securitisation programme during 2002. For US GAAP there is no equivalent of the linked presentation adopted for UK reporting purposes to reflect this programme. Under the terms of this programme SFAS 140 'Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities' would require the consolidation of the third party to whom the pool of debtors are initially assigned. Therefore cash advanced under this arrangement would be treated as a borrowing under US GAAP, but this has no impact on the shareholders' equity.

United States generally accepted accounting principles continued

New US accounting standards

The effects on the Group of recently issued accounting pronouncements are summarised below:

SFAS 143 – Accounting for asset retirement obligations

In Jun 2001, the US Financial Accounting Standards Board ('FASB') issued SFAS 143. This statement requires that the fair value of a liability for an asset retirement obligation be recognised in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalised as part of the carrying amount of the long-lived asset. Corus is still assessing the full impact of adopting this standard.

SFAS 145 – Rescission of FASB Statements No 4, 44 and 64, Amendment of FASB Statement No 13, and Technical Corrections

In Apr 2002, the FASB issued SFAS 145. This statement eliminates the requirements that gains and losses from the extinguishment of debt is aggregated and classified as an extraordinary item, net of any income tax. An entity is not prohibited from classifying such gains and losses as extraordinary items, as long as they meet the criteria in paragraph 20 of APB No 30, 'Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions'. In addition SFAS 145 requires that capital leases that are modified so that the resulting lease arrangement is classified as an operating lease, are accounted for in the same manner as sale-leaseback transactions. The rescission of SFAS No 4, 'Reporting Gains and Loss from Extinguishment of Debt' is effective for fiscal years beginning after 15 May 2002. Any gain or loss on extinguishments of debt that was previously classified as an extraordinary item would be reclassified to other income (expense). The remainder of the statement is generally effective for transactions occurring after 15 May 2002. The impact of adopting this standard has not had a material impact on Corus.

SFAS 146 – Accounting for Costs Associated with Exit or Disposal Activities

In Jun 2002, the FASB issued SFAS 146. This statement requires that liabilities for costs associated with exit or disposal activities be recognised and measured initially at fair value when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinuing operation or plant closing. SFAS 146 replaces Emerging Issues Task Force ('EITF') No 94-3, 'Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)'. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after 31 Dec 2002. Corus is still assessing the full impact of adopting this standard.

FASB Interpretation No. 45 – Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others

In Nov 2002 the FASB issued FIN 45. This interpretation addresses the disclosures to be made by the Group for any obligations under guarantees, and the requirements related to the recognition of liabilities for those guarantees at their inception. The provisions for initial recognition and measurement of guarantee agreements are effective on a prospective basis for guarantees that are issued or modified after 31 Dec 2002. Corus is still assessing the impact of the accounting provisions under FIN 45. Note 30 discloses the value of Corus' contingent liabilities for all guarantees given under trade agreements. In addition, Note 25 discloses details of the Group's provisions for product warranties. These provisions are assessed in accordance with the requirements of FRS 12 under UK GAAP. This means that the amount recognised as a provision is the best estimate of the expenditure required to settle all anticipated warranty claims as at the balance sheet date. The provision is stated before tax and is largely based, amongst other variables, on the historic experience of customer claims.

FASB Interpretation No. 46 – Consolidation of variable interest entities

In Jan 2003, the FASB issued FIN 46. This interpretation addresses the consolidation of entities for which control is achieved through means other than through voting rights ('Variable interest entities' or 'VIE') by clarifying the application of Accounting Research Bulletin No. 51 'Consolidated Financial Statements' to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 provides guidance on how to determine when and which business enterprise (the 'primary beneficiary') should consolidate the VIE. In addition, FIN 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The disclosure provisions of FIN 46 are effective in all financial statements initially issued after 31 Jan 2003. FIN 46 is required to be immediately applied by all entities with a variable interest in a VIE created after 31 Jan 2003. A public entity with a variable interest in a VIE created before 1 Feb 2003 is required to apply FIN 46 to that entity no later than the beginning of the first interim or annual reporting period beginning after 15 Jun 2003. At this time Corus is still assessing the impact of adopting this new interpretation.

Five year financial summary

Profit and loss account

	Periods ended					
	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	12 months to 29 Dec 2001 £m	12 months to 28 Dec 2002 £m
Group turnover						
United Kingdom	3,010	2,663	1,119	3,274	2,291	2,071
Other European	2,687	2,532	1,085	6,018	3,899	3,658
North America	654	657	327	1,647	889	881
Other areas	596	407	178	759	620	578
	6,947	6,259	2,709	11,698	7,699	7,188
Group operating profit/(loss)	265	(174)	(189)	(1,156)	(385)	(446)
Share of operating results of joint ventures and associated undertakings	–	(3)	–	–	12	21
Operating profit/(loss)	265	(177)	(189)	(1,156)	(373)	(425)
Profit on disposal of fixed assets and group undertakings	11	8	10	5	19	115
Profit/(loss) before interest	276	(169)	(179)	(1,151)	(354)	(310)
Net interest and investment income	39	27	12	(124)	(108)	(94)
Profit/(loss) on ordinary activities before taxation	315	(142)	(167)	(1,275)	(462)	(404)
Taxation	(75)	69	27	286	43	(61)
Minority interests	(10)	24	(4)	(53)	–	7
Profit/(loss) for financial period	230	(49)	(144)	(1,042)	(419)	(458)
Dividends	(195)	(201)	–	(31)	–	–
Profit/(loss) retained for the period	35	(250)	(144)	(1,073)	(419)	(458)
Earnings/(loss) per ordinary share in pence	11.65	(2.47)	(7.27)	(33.50)	(13.42)	(14.65)
Dividend per ordinary share in pence	10.0	10.0	–	1.0	–	–
Earnings/(loss) per ADS in £	1.17	(0.25)	(0.73)	(3.35)	(1.34)	(1.47)
Dividend per ADS in £	1.00	1.00	–	0.10	–	–
Amounts in accordance with US GAAP:						
Operating income/(loss)	244	(178)	(199)	(880)	(543)	(419)
Net income/(loss) for financial period	230	(41)	(160)	(770)	(570)	(398)
Earnings/(loss) per ADS in £	1.16	(0.21)	(0.81)	(2.48)	(1.83)	(1.27)

Balance sheet

	As at					
	28 Mar 1998 £m	3 Apr 1999 £m	2 Oct 1999 £m	30 Dec 2000 £m	29 Dec 2001 £m	28 Dec 2002 £m
Fixed assets	3,647	3,480	3,344	4,143	3,750	3,126
Current assets	4,071	3,691	3,635	4,255	3,368	3,305
Total assets	7,718	7,171	6,979	8,398	7,118	6,431
Long term borrowings	(687)	(825)	(1,036)	(1,766)	(1,612)	(1,428)
Creditors, provisions and minority interests	(2,711)	(2,270)	(2,020)	(3,137)	(2,445)	(2,281)
Shareholders' funds	4,320	4,076	3,923	3,495	3,061	2,722
Shareholders' funds in accordance with US GAAP:						
Capital stock	991	991	991	1,566	1,569	1,572
Other reserves	3,755	3,510	3,200	2,474	1,855	1,528
	4,746	4,501	4,191	4,040	3,424	3,100

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			
	2 Oct 1999 €m	30 Dec 2000 €m	29 Dec 2001 €m	28 Dec 2002 €m
Group turnover				
United Kingdom	1,705	5,322	3,698	3,301
Other European	1,653	9,783	6,294	5,830
North America	498	2,677	1,435	1,404
Other areas	271	1,234	1,001	921
	4,127	19,016	12,428	11,456
Group operating loss	(287)	(1,879)	(622)	(711)
Share of operating results of joint ventures and associated undertakings	–	–	19	34
Operating loss	(287)	(1,879)	(603)	(677)
Profit on disposal of fixed assets and group undertakings	15	8	31	183
Loss before interest	(272)	(1,871)	(572)	(494)
Net interest and investment income	18	(202)	(174)	(150)
Loss on ordinary activities before taxation	(254)	(2,073)	(746)	(644)
Taxation	41	465	69	(97)
Minority interests	(6)	(86)	–	11
Loss for financial period	(219)	(1,694)	(677)	(730)
Dividends	–	(50)	–	–
Loss retained for the period	(219)	(1,744)	(677)	(730)
Loss per ordinary share in euros	(0.11)	(0.54)	(0.22)	(0.23)
Dividend per ordinary share in euros	–	0.02	–	–
Loss per ADS in euros	(1.10)	(5.45)	(2.16)	(2.33)
Dividend per ADS in euros	–	0.16	–	–
Amounts in accordance with US GAAP				
Loss for financial period	(244)	(1,252)	(920)	(634)
Loss per ADS in euros	(1.23)	(4.03)	(2.95)	(2.02)

The profit and loss account has been translated at the average rate for the period of €1.5937 (12 months to 29 Dec 2001: €1.6143; 15 months ended 30 Dec 2000: €1.6256; 6 months ended 2 Oct 1999: €1.5234) to £1.00.

Balance sheet

	As at			
	2 Oct 1999 €m	30 Dec 2000 €m	29 Dec 2001 €m	28 Dec 2002 €m
Fixed assets	5,175	6,592	6,159	4,811
Current assets	5,625	6,770	5,532	5,087
Total assets	10,800	13,362	11,691	9,898
Long term borrowings	(1,603)	(2,810)	(2,647)	(2,198)
Creditors, provisions and minority interests	(3,126)	(4,991)	(4,016)	(3,511)
Shareholders' funds	6,071	5,561	5,028	4,189
Shareholders' funds in accordance with US GAAP	6,486	6,428	5,624	4,771

The balance sheet has been translated at the period end rate of €1.5391 (29 Dec 2001: €1.6425; 30 Dec 2000: €1.5911; 2 Oct 1999: €1.5475) to £1.00.

Other key data

		Periods ended					
		12 months to 28 Mar 1998	12 months to 3 Apr 1999	6 months to 2 Oct 1999	15 months to 30 Dec 2000	12 months to 29 Dec 2001	12 months 28 Dec 2002
Capital expenditure	£m	404	189	55	400	166	188
Average number of employees	000s	50	46	44	65	56	52
Turnover per employee	£000s	139	135	62	180	138	139
Employment costs: turnover	%	19.4	20.6	22.2	20.6	21.3	21.8
Liquid steel production	mt	17.8	16.7	8.3	20.0	17.7	17.1
Research and development expenditure (gross)	£m	52	49	22	113	66	71
UK consumption of main finished steel products:	mt						
Within Corus' range		11.9	11.5	5.6	14.2	10.8	10.7
Outside Corus' range		2.8	2.8	1.3	3.2	2.7	2.0
		14.7	14.3	6.9	17.4	13.5	12.7
UK consumption of main finished steel products within Corus' range was met by:	mt						
Corus' deliveries		6.8	6.2	3.0	7.8	5.5	5.4
Other UK steel companies' deliveries		0.7	0.6	0.3	0.7	0.6	0.6
Imports		4.4	4.7	2.3	5.7	4.7	4.7
		11.9	11.5	5.6	14.2	10.8	10.7
Corus' UK market share	%	57	54	53	55	51	50

Analysis of shareholdings at 28 December 2002

By size of holding	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
1 – 100	5,403	3.47	394,086	0.01
101 – 500	67,395	43.34	28,582,542	0.91
501 – 1,000	45,583	29.31	39,508,378	1.26
1,001 – 5,000	31,107	20.00	66,350,513	2.12
5,001 – 10,000	3,336	2.14	24,361,331	0.78
10,001 – 50,000	1,865	1.20	36,336,235	1.16
50,001 – 100,000	172	0.11	12,910,024	0.41
100,001 – 1,000,000	411	0.26	154,775,009	4.95
1,000,001 – Highest	261	0.17	2,767,199,935	88.40
	155,533	100.00	3,130,418,053	100.00

By category of shareholder	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
Male	88,794	57.09	117,913,461	3.77
Female	50,166	32.26	52,795,146	1.69
Joint Account	13,860	8.91	15,818,373	0.50
Bank	4	–	604,736	0.02
Nominee Company	2,246	1.44	2,695,844,032	86.12
Insurance Company	3	–	2,756,038	0.09
Pension Fund	13	0.01	89,881	–
Other Limited Company	350	0.23	220,372,490	7.04
Other Corporate Body	93	0.06	23,407,266	0.75
Public Limited Company	4	–	816,630	0.02
	155,533	100.00	3,130,418,053	100.00

Glossary

Term used in report and accounts

Accounts
Advance corporation tax (ACT)

Joint ventures and 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 joint ventures and associated undertakings
Loans to joint ventures and 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

Information for shareholders

Shareholder enquiries

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:

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

Shareholders can obtain details of their shareholdings via a web-based enquiry service: www.shareview.co.uk. You will need your eight digit shareholder reference number.

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
Outside US: +1 (610) 312 5315

Other enquiries

Other general information about the Group's business and copies of the environmental brochure may be obtained from:

UK

The Secretary's Office
Corus
30 Millbank
London SW1P 4WY
FREEPHONE 0800 484113

Netherlands

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

Annual General Meeting

The 2003 Annual General Meeting of shareholders will be held at Congress Centre, Great Russell Street, London WC1B 3LS on 29 April 2003 at 11.00am.

Voting for overseas shareholders

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.

Holders of shares traded on Euronext can request a proxy form from the ABN AMRO Servicedesk.
Telephone: +31 (0)765 79 94 55

Share price information

The latest Corus share price is available from the Financial Times Cityline Service.
Telephone: 0906 8433311

Website

The Corus website address is www.corusgroup.com

Dividend

No dividend was paid during 2002 and the Board has not recommended the payment of any final dividend.

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 2003. Copies may be obtained from The Bank of New York or the Secretary's Office.

www.corusgroup.com

Corus Group plc

30 Millbank

London

SW1P 4WY

United Kingdom

T +44 (0)20 7717 4444

F +44 (0)20 7717 4455

Registered in England No. 3811373