

# **Report & Accounts 2001**

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# Contents

2	Chairman's statement
4	Statement by the Chief Executive
6	Review of the period
20	Financial review
22	The Board
24	The Executive committee
26	Directors' report
36	Statement of directors' responsibilities in relation to financial statements
37	Independent auditors' report to the members of Corus Group plc
38	Consolidated profit and loss account
39	Balance sheets
40	Statement of total recognised gains and losses and Reconciliation of movements in shareholders' funds
41	Consolidated cash flow statement
42	Reconciliation of net cash inflow/(outflow) to movement in net (debt)/funds and Analysis of net borrowings
43	Presentation of accounts and accounting policies
46	Notes to the accounts
78	Supplementary information for North American investors
82	Five year financial summary
83	Some important data in euros
84	Other key data
85	Analysis of shareholdings at 29 December 2001
86	Glossary
87	Information for shareholders

# Chairman's statement

2001 was an extremely challenging and difficult year dominated by the restructuring of our carbon steel business in the UK and the increasingly hostile market environment experienced by all our businesses as the year progressed. Against this background, Corus incurred a Group operating loss of £385m.

The loss after tax and minority interests amounted to £419m and in the light of these results and the continuing weak market conditions, the Board has decided not to recommend the payment of a dividend in respect of the year ended 29 December 2001.

Our carbon steel businesses continue to dominate the Group results and were severely affected by the weak economic situation in all markets resulting in oversupply of products and sharp reductions in selling prices. Demand for aluminium rolled products and extrusions held up reasonably well until the final quarter of 2001. Average margins in these main product areas remained firm through the year. In stainless steel, demand

fell in all major markets and led to oversupply and price declines, particularly during the second half year.

The major part of the restructuring of Corus' UK strip business was successfully completed by the end of the Summer and the workforce focused on the new challenges of operating the reconfigured plant. Unfortunately, however, there was a setback in November with a major explosion at one of the blast furnaces at Port Talbot. I very much regret that three men were killed and a number of men seriously injured in this incident. Thankfully, the injured have now all been discharged from hospital. As to the continuing operations, measures have been put in hand to secure additional supplies of steel for the mills in South Wales, both from within and outside the Group, while the furnace is being rebuilt.

During difficult times it is vitally important that strong cash management prevails and I am pleased to report that there was a reduction in the Group's net debt of

£116m in the year. This was a highly commendable performance, particularly having regard to the cash outflow of £137m in respect of restructuring and rationalisation measures.

Earlier this month the US Government announced sanctions on imported steel, under Section 201 of the Trade Act, with tariffs of up to 30% being applied. This action will be resisted by the European Commission on behalf of EU member states and we strongly support this stance. We have also urged the European Commission to impose similar measures to defend the EU market, pending the outcome of a decision by the World Trade Organisation concerning the US sanctions.

While the Section 201 dispute continues it is important that progress is maintained on international discussions about initiatives to eliminate inefficient excess capacity and market-distorting subsidies. These initiatives, coupled with the lack of profitability and resulting financial strain in the steel industry worldwide, seem to have at long last

registered with the leadership in the industry. Major producers in Europe, the US and Japan increasingly cut back production during the last quarter of 2001 to address the problem of oversupply. This trend continued into the first quarter of this year as demand, production and stocks began to move more into balance, such that some price improvements were secured in the US during the quarter. Subsequently, a number of producers in Europe, including Corus, have signalled their intent to raise selling prices in the second quarter.

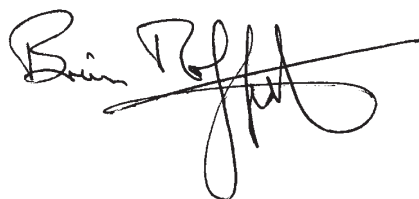
This does not, however, signal an end to the economic slowdowns in Europe or in the US. Most commentators are of the view that a recovery will only begin to take place in the second half of this year and our plans are based on this premise.

Corus' stated strategy is to focus on the creation of shareholder value. In this connection we have concluded that the possibility of the Group taking any meaningful growth steps in aluminium, in the face of continuing consolidation in that industry, is not

realistic. We have, therefore, decided to consider the sale of our aluminium businesses and this process will be put in hand immediately.

At the forthcoming Annual General Meeting, Sir Nicholas Goodison, Mr Aarnout Loudon and Mr Hendrikus de Ruyter will be retiring from the Board after many years of service. We have been fortunate to have had them on the Board and I would like to thank them for all their support and advice over the years, both as Directors of Corus and of its predecessor companies. Their replacements will be announced in due course.

Finally, I thank all who work for Corus. As I have said already, it has been a very challenging and difficult year and I hope that the year ahead will be a better one for everyone.

A handwritten signature in black ink, appearing to read 'Brian Moffat', with a long horizontal stroke extending to the right.

Sir Brian Moffat

# Statement by the Chief Executive

As this is my first report since becoming Chief Executive I think it is an appropriate opportunity to comment on my assessment of some key aspects of Corus' performance and forward strategy.

Corus is a significant manufacturing company and, therefore, it is vital for our employees at all levels to be focused on operational excellence and consistency. This is the bedrock from which customer service, employee safety and environmental compliance are built. I believe that the Corus culture is strong in this regard but it can be improved and my management team is aware of how much emphasis I place on this.

A good example is the recent performance of the direct sheet plant at IJmuiden. During the last quarter of 2001, there was a significant improvement in its performance and there are encouraging signs that it will achieve its target output in the near future. The quality of the product is also improving and customer acceptance is high.

Another example is in the vital area of health and safety where we are working with DuPont Safety Services to facilitate a further step change in our performance. Everybody across the Company is responding positively as evidenced by a 15% reduction in lost time injury frequency rates during 2001. The need for improvement was tragically underlined with seven fatalities of Corus employees in 2001.

We need to stay at the forefront of technical developments in our industry. To help facilitate the continuing enhancement of our technological and operational capability, in January of this year, Corus signed an agreement with Sumitomo Metals for collaboration in areas of mutual interest and benefit. Initial exchanges will focus on advanced steels for the automotive and engineering industries. I believe the agreement will help both companies to continue to develop the solutions that our customers expect. This relationship with Sumitomo will also give some added input to our continuing programme to improve the

competitiveness of Corus' carbon steel assets. Substantial improvement in operating margins through the next two years are at the centre of a wide-ranging project at IJmuiden. In the UK, with the restructuring of our flat products operations substantially completed, we are now focusing on additional measures, similar to those being implemented in the Netherlands, to secure yet further improvements in our competitive position.

The combination of renewed emphasis on operating excellence, added technological input and world class competitiveness in our carbon steel assets will provide an even firmer base to deliver reliably to our customers. In this context, I am most appreciative of their support and loyalty during a difficult 2001.

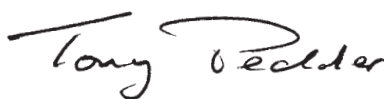
A major element of the strategy that we have been pursuing has been the selective identification of those of our carbon steel businesses, aluminium operations and stainless steel interests, which we consider will be capable, over time, of achieving

leading positions in attractive market sectors with sustainable growth. In this connection we have recently reappraised the potential for Corus to participate in the ongoing consolidation of the aluminium industry having regard to the market positions and strengths of our aluminium interests. Our judgement is that while we have very good businesses the pace of change in the industry is leaving us with fewer options to pursue a growth strategy in competition with increasingly strong industry leaders. Accordingly, we feel that we should commence the process towards divestment of our aluminium assets.

This divestment will bring to an end aspirations for a multi-metals strategy involving a major manufacturing presence in aluminium as well as carbon and stainless steel. However, Corus has gained significant broad metals knowledge and this will continue to be utilised in a number of our ongoing businesses where this brings benefits to our customers.

This has clearly been a difficult period for all employees across the Group. Change on the scale that Corus has undergone over the last year or so is never easy and presents additional challenges to all. I cannot speak too highly of the attitude and energy of those involved in facilitating these changes. It gives me a great deal of confidence for the future.

My prime objectives are to achieve excellence in our businesses, to continue to sharpen the strategic focus of the Group going forward, and thereby to deliver shareholder value. I am determined to reach this objective and am confident that I can develop the management team to deliver it.



Tony Pedder

# Review of the period

## Group financial results

Interpretation of the Group's financial results for the period continues to be influenced by a number of factors reported in the last Report & Accounts, the most significant of which were:

- Former British Steel plc (now Corus UK Limited) changed its year-end from March to September in 1999. The change of year-end was introduced as a preparatory step to the merger between the British Steel Group and the Hoogovens Group, which became effective in October 1999.
- Following the merger, the year-end of the new enlarged group, Corus Group plc, was changed to December, in line with other companies in the industry. The first December year-end occurred in December 2000, at the end of the fifteen month period beginning in October 1999.
- Reporting requirements, particularly the analysis of results, are complicated by the previous period ended 30 December 2000 being of fifteen months duration, the period prior to that ended 2 October 1999 being of six months duration, and the merger itself. Some of the requirements reflected in the review are to meet US reporting obligations.

The comparative data included for the six month period to 2 October 1999 prior to the merger is in respect of British Steel and does not include Hoogovens, which distorts the comparisons. Similarly, the difference in length between the fifteen month period ended 30 December 2000 and the six month period to 2 October 1999 makes comparisons between

For ease of understanding this review focuses on relevant twelve month periods. The following terms are used throughout the review with the meaning shown in the definition given:

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)
six month period	6 months to 2 October 1999 (audited)
1999	12 months to 3 April 1999 (audited)

these two periods misleading. In addition, the comparison of the aluminium segment includes unaudited, unconsolidated management accounts information in respect of the twelve months to end December 1999. Finally, the de-consolidation of Avesta Sheffield with effect from 22 January 2001 distorts comparisons between 2001 and 2000 – see 'Acquisitions and disposals' section on page 18.

## Operating results for the period Summary

Total Group turnover for the period was £7,699m (2000: £9,509m; 1999: £6,259m). Excluding the effect of Avesta Sheffield, this was a 5% reduction from 2000 reflecting a reduction in prices and sales volumes in the carbon steel segment by 2% and 9% respectively, partially offset by an increase of 6% in aluminium turnover. Average revenue per tonne excluding stainless steel was £336 and was 1% higher than 2000.

However, this masked the reduction in prices in the carbon steel segment referred to above, which was offset by an increased proportion of aluminium in the mix of sales.

The increase in turnover between 1999 and 2000 reflected the merger with Hoogovens. Excluding the impact of the merger, turnover was virtually

unchanged with higher sales volumes and prices in the stainless segment being offset by an 11% reduction in carbon steel segment turnover following sales volume and price falls.

Turnover for the six month period was £2,709m reflecting a sharp reduction in prices over main products and markets, particularly in the second half of 1999, and a lower level of deliveries. 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 opposite, the Group operating loss for 2001 was £385m (2000 restated: £1,033m; 1999: £174m). The losses for 2001 and 2000 included £8m and £1,018m respectively in connection with items of an exceptional nature, predominantly provisions for redundancy and related costs, accelerated depreciation and other rationalisation costs. The underlying increase in the operating loss reflected 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

	12 months 29 Dec 01	Restated 15 months 30 Dec 00	Restated 12 months 30 Dec 00 unaudited	6 months 2 Oct 99	12 months 3 Apr 99
Turnover (£m)					
UK	<b>2,291</b>	3,274	2,635	1,119	2,663
Rest of Europe	<b>3,899</b>	6,018	4,924	1,085	2,532
Rest of World	<b>1,509</b>	2,406	1,950	505	1,064
	<b>7,699</b>	11,698	9,509	2,709	6,259
Operating costs (£m)	<b>8,084</b>	12,854	10,542	2,898	6,433
Operating results (£m)	<b>(385)</b>	(1,156)	(1,033)	(189)	(174)
Deliveries (mt)					
Carbon steel	<b>16.9</b>	23.1	18.5	6.5	13.5
Stainless steel	–	1.2	0.9	0.4	0.9
Aluminium	<b>0.6</b>	0.7	0.6	–	–
	<b>17.5</b>	25.0	20.0	6.9	14.4

supply in the coal market having a marked effect. Other costs reduced with ongoing efficiency measures, particularly the restructuring measures announced on 1 February 2001. The adverse effects of the continued strength of sterling exacerbated the position.

The increased operating loss between 1999 and 2000 reflected the provisions referred to above partially offset by the first time contribution from the merger with Hoogovens. Excluding these two factors, the operating loss increased by £101m reflecting price and sales volume reductions in the carbon steel segment of 6% and 5% respectively.

The operating loss for the six month period was £189m and reflected a continuation of the severe price pressure in Europe felt in the second half of 1999 caused by oversupply in most product areas, exacerbated by the adverse effects of the continued strength of sterling. The operating loss for the fifteen month period was £1,156m, with provisions totalling £1,033m being the main contributory factor.

Operating costs in 2001 were £8,084m (2000: £10,542m; 1999: £6,433m) and included a net charge of £8m in respect of items of an exceptional nature (2000: £1,018m; 1999: £85m). In 2001, these items predominantly 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. Surplus provisions of £61m relating to prior year manpower reduction programmes and asset writedowns were released during the year 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 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. The equivalent figure in the six month period was £12m.

On 8 November 2001 an explosion occurred in no. 5 blast furnace at Port Talbot, killing three people and injuring others. The explosion made the furnace inoperable and, following a strategic review of the business, plans have been announced 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 have not been materially affected by the incident.

With effect from 22 January 2001 Avesta Sheffield ceased to be a subsidiary of Corus and, from the same date, AvestaPolarit became an associated undertaking. Consequently, for much of the year there has been no stainless segment within the operating result but, rather, the share of results of joint ventures and associated undertakings has increased sharply. AvestaPolarit

reported an operating profit of €139m for 2001, after an amortisation credit of €74m for negative goodwill, on a turnover of €2,851m. The Corus share of results of joint ventures and associated undertakings, including AvestaPolarit, amounted to a profit of £12m (2000: profit of £2m; 1999: loss of £3m). The share of results in the fifteen month and six month periods both amounted to £nil.

The Group's net interest payable in 2001 of £103m (2000: interest payable £100m; 1999: interest receivable £30m) reflected the net debt of £1,560m at 29 December 2001 (2000: debt of £1,676m; 1999: funds of £463m). The reduction in net debt from 30 December 2000 was attributable to the deconsolidation of Avesta Sheffield, excluding which there was an increase of £29m. The net interest comprised interest earned of £15m on average deposits and loans of £149m (excluding investment income and investments held by Crucible Insurance Company Limited ('Crucible') and Hoogovens Verzekeringsmaatschappij NV ('HVM') – see the 'Business risk management' section on pages 17 and 18) less interest incurred of £118m on average borrowings and leases of £1,814m. The net interest payable in the fifteen month period was £118m and the net interest receivable in the six month period was £14m.

After net interest and the Company's share of the results of joint ventures and associated undertakings, there was a loss before tax of £462m (2000 restated: £1,135m; 1999: £142m) and the loss per share was 13.42p (2000: 30.19p; 1999: 2.47p). The loss before tax for the fifteen month and six month periods was £1,275m and

£167m respectively, giving a loss per share of 33.50p and 7.27p respectively.

Capital expenditure amounted to £166m (2000: £308m; 1999: £189m). The reduction from 2000 reflected the deconsolidation of Avesta Sheffield and the completion of several major schemes in 2000, such as the direct sheet plant in IJmuiden. The UK accounted for 26%, the Netherlands 38%, the rest of Europe 28%, North America 7% and elsewhere 1% of capital expenditure. Capital expenditure is met by cash flow provided by operating activities, cash balances and borrowing facilities. The equivalent figures for the fifteen month and six month periods were £400m and £55m respectively.

## **Carbon steel**

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

Turnover for the period was £6,534m compared with £7,016m in 2000. The reduction was due to a decrease in average revenue and in sales volumes by 2% and 9% respectively, partially offset by an increase in distribution and further processing. Average revenue per tonne was £284 compared with £288 in 2000. Turnover in the first half of £3,408m compared to £3,126m in the second half, mainly reflecting a decrease of 5% in average revenue in the latter period and deliveries that were 5% lower. The second half included the effects of the reduction in annual UK capacity of 3mt following the restructuring measures announced on 1 February 2001.

The increase in turnover between 1999 and 2000 from £5,043m to £7,016m reflected the merger with Hoogovens. Excluding the impact of

the merger, turnover decreased by 5% due to the combined effect of lower prices and volumes.

Turnover for the six month period at £2,176m reflected a sharp reduction in prices over main products and markets, particularly in the second half of 1998/99, and a lower level of deliveries. Turnover for the fifteen month period was £8,725m.

### *UK market*

UK market demand slowed further in 2001. The underlying trend in steel consumption became increasingly negative during 2001 as manufacturing output fell and falling prices provided an incentive to customers to reduce inventories.

Corus deliveries to the UK market totalled 6.1mt, of which 5.5mt were in the Company's main carbon and engineering steel finished products. Deliveries in the first half were 3.2mt, reducing to 2.9mt in the second half as demand slowed. The total for 2001 compared with 6.8mt in 2000. Estimated demand for the Company's main carbon and engineering steel finished products at 10.8mt fell by 5% in 2001, with demand in 2000 having been at a similar level to that in calendar year 1999. The Company's UK market share in 2001 dropped to 51% (2000: 55%; 1999: 54%) reflecting reduced Corus sales volume and increased import competition. Market share in the fifteen month and the six month periods was 55% and 53% respectively.

### *Other European markets*

Steel demand in the EU fell by an estimated 2% in 2001, with demand worsening progressively towards the end of the year after a fairly flat first

half. In automotive, the production of cars held up reasonably well but commercial vehicles production declined. In construction, output fell markedly. In spite of European steel producers cutting back production the market was oversupplied due to the continued high level of imports.

Deliveries in and to mainland Europe amounted to 8.0mt in the period, representing a reduction of 9% from 2000. This partially reflected 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. Deliveries in the first half were 4.2mt, reducing to 3.8mt in the second half.

Deliveries were 8.8mt in 2000 which, excluding the effect of the merger, were 7% down on 1999 levels.

#### *Other markets*

In the USA demand for steel was depressed in 2001 and fell by more than 10% due to steep declines in production in the main end-using industries and a significant reduction in inventories. In Asia excluding China, demand fell by an estimated 2% in 2001. The continuing stagnation of the Japanese economy and the weak conditions in South East Asia depressed the steel market. Data on production of and demand for steel in China is unreliable and distorts the global picture. Official statistics show both growing by well over 10% in 2001, but these figures may overstate the strength of the market.

Deliveries to markets outside Europe amounted to 2.8mt in the period, representing a reduction of 6% from

2000. This reflected the slowdown in demand and the planned reduction in exports from the UK referred to above. Deliveries in the first half were 1.3mt, increasing to 1.5mt in the second half.

Deliveries were 2.9mt in 2000 which, excluding the effect of the merger, were 6% up on 1999 levels.

#### *Prices*

Average revenue per tonne for the period amounted to £284 compared with £288 in 2000 following successive years of decline from the peak of 1995/96 through to 1999. Average revenue in the first half amounted to £291 per tonne compared with £276 per tonne in the second half.

Global demand for steel was on a declining trend during 2001 and, excluding China, showed a substantial decline over 2000. While the global steel market already had ample supply at the start of the year, falling demand was not immediately accompanied by similar reductions in supply. In addition, the threat of US import sanctions caused a significant drop in US imports and resulted in steel being diverted to other markets. Consequently prices continued the fall that started in the second half of 2000, reaching unsatisfactory levels in all regions of the world.

Steel prices in the UK are determined by prices in mainland Europe to a large extent. Consequently, the continued weakness of the euro meant that prices, already depressed, declined to very low levels in sterling terms.

The average spot sterling to euro exchange rate was €1.61 (2000: €1.64; 1999: €1.47) and represents a strengthening of sterling of 28% since 1996/97 and of 10% since 1999.

#### **Operating costs**

Operating costs for the period were £6,980m, which was 16% lower than in the previous year due primarily to the inclusion in that period of significant restructuring provisions. Excluding these provisions, operating costs decreased by 4% reflecting ongoing efficiency measures and the volume reduction, offset by higher raw material and consumable costs, with tight supply in the coal market having a marked effect.

As stated in the 'Summary' on page 7, an explosion occurred in no. 5 blast furnace at Port Talbot, killing three people and injuring others. 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 have not been materially affected by the incident.

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 23mt of iron ore and 12mt of coal, all through the four deep-water terminals servicing its integrated steelworks. Iron ore is imported principally from Australia, Brazil, 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 most of its UK scrap requirements of some 1mt over the

period in the UK, and some 0.6 mt for its Dutch integrated plant from continental European sources. There is also a large international market for scrap.

A networked supplies organisation, embedded in the businesses of the Company, is delivering benefits throughout Corus through a single face approach to the various procurement markets.

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

In the period, Europe accounted for 83% of carbon steel products turnover of which the UK amounted to 36%. 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 2001 global economic growth decelerated from about 4.5% to around 2%, the lowest level in 20 years. The downturn lasted for the whole of 2001 as hopes for a recovery towards the end of the year were dashed by the terrorist attacks in the USA on 11 September 2001. Consequently the US economy remained weak for longer and recorded 1.1% growth compared with 4.1% in 2000. Asian economies

suffered from diminishing demand from the US in general and the deep recession in the information technology and technology, media and telecom sectors in particular. In the EU economic growth amounted to an estimated 1.5%, a marked slowdown compared with 2000. The economy slowed dramatically in the second half due to weak demand on global markets and falling investment. In contrast, economic growth in the UK held up reasonably well driven by private consumption, while investment suffered from falling profitability especially in manufacturing.

Falling growth in Western Europe caused the Eastern Europe economies to slow down. In Latin America growth fell back substantially, partly due to the looming crisis in Argentina.

#### *Exchange rates*

As a result of the merger, the Group's sensitivity to changes in the value of sterling became lower than was the case for British Steel. Similarly, the restructuring of the UK assets of the Company has further reduced sensitivity to fluctuations in the value of sterling against the euro.

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

In general, a substantial strengthening of sterling adversely affects results in

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

#### *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 oversupply of steel to the market seen towards the end of 2000 continued in the first half of 2001 as falling demand was not matched by cuts in production. In addition, the threat of import restrictions into the USA resulted in foreign suppliers looking for sales opportunities in other regions. As a result, global prices continued to fall. In the second half of 2001 prices continued to fall but steel output began to decrease allowing prices to stabilise, albeit at low levels, in early 2002.

The world surplus of effective steelmaking capacity (excluding China) rose by 19mt in 2001, primarily

## Major capital projects

Completed in the period	Capital cost £m	Completion date
IJmuiden – increase in steel plant capacity	37	Sep 01
Brinsworth – uprate narrow hot rolling mill	6	Dec 01
In progress at end December 2001		
Scunthorpe – bloom caster enhancement	7	Apr 02
IJmuiden – reline of no. 6 blast furnace	29	May 02
IJmuiden – relocation of double reduce mill	5	Jul 02
Trostre – reconfiguration of electrolytic tinning line	10	Jul 02
IJmuiden – refurbish slabyard cranes and track	6	Dec 02

because of a large increase in the USA. Effective world capacity utilisation fell from 85% in 2000 to 82% in 2001.

An improvement in market fundamentals is expected in the second half of 2002 as global demand is expected to increase whereas capacity is forecast to decline.

In early July 2001, the US Administration published a notice relating to a Section 201 Safeguard investigation against steel imports from all countries to determine whether the US steel industry has been injured and if imports are the largest cause of that injury. This investigation was carried out by the US International Trade Commission ('ITC'), and covered all countries and all major steel products (split into 33 categories). The ITC concluded that there had been injury on a number of the product categories including slabs, plate, hot and cold rolled flat products, and coated products. In these product categories the ITC recommended tariffs (between 20% and 40%) or quotas. On 5 March 2002 the President announced his decision to impose a range of tariffs of between 8% and 30% on a number of products (such as flat products, including plate, tin mill products and

hot rolled and cold finished bar), and quotas and tariffs on slab products. The decision is effective in respect of imports entering into the US on 20 March 2002 and remains in force for three years and one day. The President's decision in this regard is absolute and not subject to review by the US Courts (but could be brought before the World Trade Organisation for dispute resolution, the EU having announced its intention so to do). At this stage it is too early to quantify the impact on the Company.

### Investment

Capital expenditure amounted to £126m, with the focus of expenditure being on essential replacements to maintain the activities of the business and to meet safety, environmental and related obligations. Nevertheless, major projects in progress and completed during the period included the enlargement of capacity at the IJmuiden site to 6.5mt per annum, in association with the direct sheet plant development completed in the previous year.

After a campaign life of 15 years (32mt), a project is being undertaken for relining blast furnace no. 6 at IJmuiden. The project comprises the reline of the furnace and associated work on the hot blast main and

bottom refractories. The reline is planned to complete in May 2002 with the associated work carrying on through 2002.

The reconfiguration of an electrolytic tinning line at Trostre, South Wales follows the planned closure of Ebbw Vale works and the transfer of some production to other Corus sites. The transfers comprise an electrolytic tinning line to Trostre and a double reduction cold rolling mill to IJmuiden. The planned completion date for both schemes is July 2002.

### 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 this 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 is 23%. As a result of this merger, for much of 2001 there was no stainless segment within the operating result. The following brief comments relate to the period in January 2001 before the transaction. Additional comments appear in the 'Summary' section of 'Operating results for the period'.

### Turnover, deliveries and prices

Turnover for the period was £80m, representing only 1% of total Group turnover for 2001. Turnover in the fifteen month period amounted to £1,746m and in the six month period to £533m.

Deliveries for the period amounted to less than 0.1mt, accounting for less than 1% of total Group deliveries for 2001.

Average revenue per tonne for the period was £1,542 compared with £1,523 in 2000, an increase of 1%.

### Operating costs

Operating costs, including depreciation, for the period were £77m. The significant elements of cost are raw materials, representing approximately 45%, and employment costs at 15%.

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

### Investment

Capital expenditure during the period totalled £2m.

### Aluminium

Prior to the merger with Hoogovens, British Steel was not involved in the aluminium segment with the result that there are no statutory comparatives included in the accounts prior to 2000.

### Turnover, deliveries and prices

Turnover for the period was £1,085m compared with £1,026m in 2000, an increase of 6%. Excluding aluminium trading activity, primary, rolled and extruded products, which account for nearly 90% of turnover, saw an increase in average revenue per tonne between 2000 and 2001 of 9%, including the benefit of a higher proportion of high value products such as aircraft plate in the mix of

sales. Sales volumes in this range of products reduced by 3%.

There was a decrease in turnover of 3% between the first and second half of 2001. Excluding aluminium trading activity the decrease amounted to 13%. Prices for most products were affected by the falling London Metal Exchange ('LME') price for aluminium discussed below, but the effect of this on the average revenue per tonne was neutralised by exchange rate movements and mix improvements. There was a fall of 13% in shipments of primary, rolled and extruded products as the world economies dipped in the final quarter of 2001.

Turnover in 2000 was 47% higher than the equivalent period in 1999 reflecting the acquisition in January 2000 of a controlling interest in Reycon, a Canadian rolling operation, improvements in product mix, and improved volumes and higher prices primarily related to the increased LME price for aluminium.

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

### European markets

Overall demand showed some growth during the first half of 2001 but the economic downturn had an impact in the second half. Although the order book remained reasonably strong there was, nevertheless, a marked reduction in the last quarter of 2001.

Deliveries to European markets amounted to 0.51mt in the period compared with 0.47mt in 2000, although the increase was largely associated with aluminium trading activity. Nevertheless, growth was realised in primary, automotive and

aircraft plate products offset by lower sales in commercial plate and sheet, and in industrial extrusions.

Deliveries in 2000 were 16% up on comparable 1999 levels. The increase was due to better plant performance following capital expenditure in calendar year 1999.

### Other markets

The North American and Japanese aluminium markets in general continued the downturn that started in mid-2000, but Far Eastern markets saw little movement.

Deliveries to markets outside Europe amounted to 0.11mt in the period compared with 0.12mt in 2000. Significant growth was realised in sales of heat exchanger fins in North America and of aircraft plate worldwide, while sales of commodity products decreased. There was no major change in sales between the first and second half of 2001.

2000 deliveries were 104% up on calendar year 1999. The increase was due to the acquisition of a controlling interest in Reycon.

### Prices

Average revenue per tonne amounted to £1,747 compared with £1,760 for 2000 but, excluding trading activity, there was an increase of 9%.

Following a rise in average revenue in the first half of 2001 to £1,860 per tonne, average revenue fell sharply in the second half to £1,645 per tonne largely as a result of higher trading activity, with the impact of falling LME prices being offset by mix gains. The relevant figure for calendar year 1999 was £1,519.

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 averaged \$1,500/tonne, which compared with \$1,569/tonne in 2000, a decrease of 4%, and \$1,329/tonne in calendar year 1999. The first half averaged \$1,545/tonne with the second half at \$1,458/tonne. However, the weakening of the euro against the US dollar mitigated the effects of the LME movements.

The continuing decrease of the metal price in US dollar terms reflected the increase in world-wide aluminium stock levels over the year, and the price is at or near the bottom of the expected cycle.

#### Operating costs

Operating costs were £1,027m compared with £932m in 2000. The increase was mainly in purchase price changes on material and energy costs that are linked to the LME, together with an increase in environmental levies on energy supplies. Costs in the second half of 2001 were 1% lower than the first half reflecting lower LME related material prices.

Operating costs for 2000 were 46% higher than the equivalent period in 1999 reflecting the acquisition of Reycon, and increased metal prices.

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

#### Major capital projects

Completed in the period	Capital cost £m	Completion date
Bonn – 90MN extrusion press	10	Mar 01
In progress at end December 2001		
Duffel – continuous annealing line for aluminium	33	Dec 02

#### Dynamics of the business

In the period, Europe accounted for 78% of aluminium segment turnover. Corus manufactures predominantly in Europe, which is also the main market for most of its 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 for metal, the euro/US dollar exchange rate and the operational performance of plants.

#### Demand

Markets for rolled and extruded products in Europe contracted during 2001, most noticeably during the second half of the year. Order intake also slowed towards the end of 2001 reflecting this and a major upturn is not expected before the second half of 2002.

Further penetration of aluminium products in the transport sector support growth in this area. The North American market may have bottomed out but the Japanese market is expected to show continued decline. World-wide aircraft deliveries will also be under pressure over the coming years.

#### 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.

#### 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

There was some disruption in operational performance in the year as new plant came on stream and the weakening market limited throughput levels. However, improvements in performance were achieved in a number of areas including material yields in rolled product manufacture.

#### Investment

Capital expenditure amounted to £38m. A new cold rolling mill in Capde-la-Madeleine, completed at the end of 2000, went into operation during the year enabling the plant to increase output of brazing fins and light gauge coil and sheet. A new 90MN press replaced a large 70MN press at the Bonn extrusion plant in February 2001. The new press,

which strengthens the leading position of the business in the specialised large extrusion market, commissioned through into the second quarter of 2001.

The investment at the aluminium rolling plant at Duffel in Belgium for a continuous annealing line with additional surface pre-treatment facilities continues under construction. The line will be dedicated to supplying the automotive industry and will be capable of producing up to 60kt of sheet a year.

During the year smaller schemes were also approved at Duffel for the modernisation of the hot mill, and at Koblenz in Germany for a preheat furnace for wide ingots and for a processing centre to increase capacity for wide aircraft sheet.

## People

Most regrettably seven fatalities occurred across the Group in 2001, of which three were due to the blast furnace explosion at Port Talbot. All serious accidents are cause for the greatest concern and are thoroughly investigated in order to ensure as far as possible that no similar accidents happen in the future.

Improving the Group's health and safety performance is a key priority and one of the world's leading experts, DuPont Safety Services, is continuing to guide the Executive committee in leading the Company to improve performance in this area. Some progress has been made during 2001 with a reduction of 15% in serious incidents as measured by lost time injury frequency rates. However, health and safety is an area

of work that will continue to receive constant attention from the Executive committee.

In November 2001 the Company was fined £300,000 having pleaded guilty to a breach of Sections 2 and 3 of the Health and Safety at Work Act. This followed an accident in September 2000 to a contractor employee working in the steel plant at Llanwern works.

At the end of December 2000 the number of employees in the Group was 64,900. This reduced to 52,700 by December 2001. The net reduction of 12,200 reflected the formation of AvestaPolarit in January 2001 (6,600) together with major restructuring and productivity improvements and smaller business disposals (5,600). In the major business locations of the UK and the Netherlands, manning levels declined from 32,900 to 26,700 and from 12,900 to 12,200 respectively in the review period. Manning in Germany reduced from 6,800 to 6,600.

The average number employed by the Group for the period was 55,600 including 28,800 in the UK, 12,400 in the Netherlands and 6,700 in Germany. This compared with 64,700 employed in the fifteen month period.

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. Following the actuarial valuation as at 31 March 1999, the Actuary certified that the Company contributions to meet the cost of future service benefits should be reduced to 2% with effect from

1 October 1999. This rate has been in force since that date and will be subject to review at future actuarial valuations. The next formal valuation of the Scheme will be undertaken as at 31 March 2002 and the results will be available later in the year. The main features of the 1999 valuation of the Scheme and information about other UK pension schemes operated within the Group are provided in Note 31 to the Accounts.

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 2001, which can vary according to the funding ratio of the Scheme, stood at 6% from the Company and 3% from members relative to gross earnings.

Integrated human resource policies are already in place in key areas such as management development, succession planning, graduate recruitment and retention, and education and training. The target is to deliver best international practice and to provide a coherent foundation for Corus to be able to maximise the contribution of all employees.

Extensive briefings of employees, Works Councils and Trade Unions took place through the year to explain the business situation and the manning reductions and organisation changes resulting from the major restructuring of assets in the UK announced on 1 February 2001. The Corus European Works Council has played a key part in these consultations. The response of the workforce to the difficult circumstances the Company has

experienced over the past 12 months has been excellent.

Although total training investment at an estimated £55m has been at a lower rate than the previous fifteen month period, the strategic importance of education and training continues to be crucial to the Group. In addition to the normal training efforts, the Company made available up to £4.6m in the UK as match funding towards European Social Fund projects to help with the counselling advice, guidance and retraining efforts for employees affected by the restructuring announcement.

### **Environment and the community**

Corus considers care for the environment to be an essential element of its duty to society and of ensuring continuity of the business. Significant effort has been made in recent years to reduce the effects of production processes on the environment. In addition, the Company has increasingly focused on the environment in relation to the full life cycle of its products, from ore to processing, use and recycling. Continuous development leads to better, stronger and lighter products allowing customers to develop everyday items that have better environmental performance, minimise raw material usage and consume less energy.

Demonstrating this commitment, Corus won a major commendation in the UK Business Commitment to the Environment Awards for 2001 for an entry on environmental improvements throughout the life cycle of steel packages, including product

development, manufacture, recovery and recycling.

The Company's processes are subject to environmental laws and regulations in the countries in which it operates. Voluntary agreements between industry and governments can be more effective than fiscal measures such as taxes. The Company has a number of such agreements in the Netherlands, the most recent of which is the third Company Environmental Plan for the IJmuiden site for the period 2001 to 2004 under the 1992 Environmental Covenant.

Decommissioning of the Corus sites affected by the restructuring announcement on 1 February 2001, notably Bryngwyn, Llanwern iron and steelmaking, and Shotton cold reduction mill, has been carried out without any environmental incidents and the sites have been secured. Production at Ebbw Vale will cease in the Summer of 2002. Corus has appointed environmental consultants Envirospira to advise on the remediation of the sites.

The site of the former Ravenscraig steelworks is to be the location for one of the most important urban regeneration projects in Europe. The development of the site by a consortium of Corus, Wilson Bowden and Scottish Enterprise Lanarkshire will create a new community for 10,000 people and, in all, some 12,000 new jobs could be created.

From April 2001 the UK government has imposed a tax on the business use of energy. Corus has signed an agreement with the UK government and can, therefore, claim a reduction of 80% in the tax for its energy

intensive processes. Under UK government proposals, the coke and coal used in blast furnaces as a raw material has also been excluded from the tax. A complaint to the European Commission has resulted in it reviewing that part of the UK legislation that includes the use of coke and coal in iron and steelmaking. The UK government is defending the proposed exemption strongly and the outcome of the review is due by the Autumn of 2002. The estimated worth of the exemption is £13m per annum.

Minimising and managing risk are important components of the management systems within Corus. Potential risks are identified through techniques such as auditing, 'near miss' reporting and formal risk assessments. Nevertheless with the complex nature of the operations in Corus there have been three incidents in 2001 that have resulted in prosecutions against the Group. Such incidents are regrettable and the Company continues to review its procedures in order to minimise the likelihood of recurrence.

Corus continues to make contributions to environmental bodies under the landfill tax credit scheme. Donations in the year were made to amongst others Arena Network in Wales, the South Yorkshire Forest Trust and the Tees Forest Development Company.

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

## Technology

A company that aims to be a world leader in its major markets and to establish long-lasting partnerships with key customers has to stay in the forefront of technology. A range of value-added products tailored to demands in key market sectors and a knowledge base that can add value by supporting customers in using these products in the best possible way are prerequisites for a lasting competitive advantage.

The main objective of Corus research and development is to enhance the competitive position of its business units by executing projects that allow them to supply value-added products and services to customers and to apply cost effective process technology, now and in the future. To achieve optimum results, Corus puts high value on collaborative R&D with 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.

Since January 2000 the three technology centres in the UK and the one in the Netherlands have formed one organisational entity with multi-site departments. The transition to a two-site operation by concentrating the UK activities in one new technology centre as announced in June 2000 is now planned to take place during 2003. The aim remains to create two centres of excellence in designated areas of technology, well equipped to get maximum benefit out of the expert knowledge that is available within the Company. This does not only mean using this knowledge in the best possible way

for the benefit of Corus, but also generating additional profit by executing R&D projects for third parties and outward licensing.

A recent result of successful collaboration within the value chain is the self-heating coffee can that was launched in 2001 and emerged from a collaboration between Thermotic Developments, Nestlé and Corus. The product, the key feature of which is that the user can initiate a chemical reaction to heat the contents of the can, was successfully introduced in the UK market.

Substantial R&D efforts in the transport area resulted in Corus being able to offer knowledge value-added services to railway companies. In recent years Corus has developed a new generation of steel railway sleepers which, combined with special cost-effective installation methods, has resulted in a rapid increase in sleeper sales. The advanced sleeper designs are based on extensive development work and a comprehensive track model developed to allow Corus rail products to be optimised for the service demand.

Another project for the rail market, in which Corus used in-house expertise and worked with coating suppliers, resulted in the development of the Cor-ProTech range of highly abrasion-resistant coated rails for use at level crossings and in tunnels. Following extensive in-situ trials, a number of coated rail units have been sold to the rail industry.

The successful development of aluminium car body sheet enables Corus to continuously strengthen its

position in the automotive market. The new continuous annealing and pre-treatment line at Duffel, which is currently under construction, will enable the business to take further steps forward.

Ongoing R&D efforts in aluminium alloy development continue to strengthen Corus' position as a supplier of sheet material tailored to the needs of different markets. As an example, the successful alloy Alustar<sup>®</sup>, originally developed for shipbuilding applications, is now finding its way into other markets such as silos and tank lorries. Simultaneously, work for the shipbuilding area continued, resulting in the development of the Coraldec<sup>™</sup> sandwich panel designed for use in passenger decks of high-speed vessels. Coraldec is a pre-fabricated panel, consisting of an Alustar corrugated core sheet laser welded to flat sheets of the same material. Use of Coraldec can lead to substantial reductions in production time on the yard as well as significant structural weight reduction. The product has also shown to have great potential for balcony floors in large cruise ships.

In the white goods sector, stainless steels are used widely for catering and domestic kitchen equipment because of their aesthetic appeal, excellent corrosion resistance and ease of cleaning. As all these characteristics can be influenced through the surface finish of the product, a new finish named Superbrush was developed which offers greater resistance to retaining surface contaminants and a high resistance to corrosion. The Superbrush product is a clean-cut finish and is easier to keep clean,

resulting in superior hygienic characteristics compared to conventional polished stainless steels.

For the construction market, a major project investigating the whole area of 3D modelling and associated technologies resulted in a Corus branded product library, named Construction Parts, for use in CAD software packages. Graphical representations of Corus products as well as links to up-to-date electronic product documentation allow the architect or engineer to quickly establish physical attributes and application requirements for Corus branded products and immediately apply them within the CAD environment. This allows Corus products to be embedded within the building model at an early design stage, saving designers a considerable amount of time during the detailed design phase.

In the process area, the results of joint development and exchange of best practices became increasingly evident during 2001. Examples included the transfer of a run-out table cooling model, successfully implemented in the IJmuiden hot strip mill with major cost savings, to Port Talbot and application of converter lining practices and experience from UK plants to the IJmuiden plant, resulting in a considerable increase in converter lining life.

The strategy for information technology (IT) is to make it a key enabler in business activities and to continue to invest in IT projects that provide benefits to customers, suppliers and employees. A corporate e-portal was developed and launched in 2001 to secure the Company's

e-business links to the internet, and work has also been carried out with supply partners to improve the quality and security of the Company's data network.

Corus maintains a share of 25% in two electronic marketplace joint ventures in conjunction with Arcelor (formerly Arbed/Aceralia and Usinor) and ThyssenKrupp Stahl. BuyForMetals, a new marketplace for the procurement of goods and services, is progressing towards operational running in 2002 and Steel24-7, a new marketplace dedicated to the sale and supply management of steel products, was launched in the last quarter of 2001. Corus will continue to develop these projects to provide additional channels for its suppliers and customers to work more effectively together with the Company in the future.

### **Business risk management**

The risk management review process established in the Company in 1996/97 was extended to incorporate the former Hoogovens businesses following the merger 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 Board and Audit committee.

As noted below, the merger to create AvestaPolarit was completed in January 2001 and that company is no longer a subsidiary of Corus. Accordingly, the Group is no longer required to report on the corporate governance procedures of AvestaPolarit. The Company through its membership of the Board of AvestaPolarit seeks to influence the corporate governance arrangements to be implemented with a view to achieving consistency with the principles of the Turnbull report. However, at present formal processes consistent with those operating elsewhere in the Group are not in place.

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 2001 was £42m (2000: £40m; 1999: £117m). Investment income earned, which is not material in the current year, is not included under Group interest and investment income but instead is taken into account in the assessment of the underwriting results and liabilities of Crucible and HVM. These, in turn, form part of the Group's insurance costs and arrangements.

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

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

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

Preparations for the euro in the financial and operational systems of the former British Steel components of Corus have been ongoing. A number of businesses located in the euro-zone made early conversion of their base currency to the euro, whilst others opted to delay conversion until 1 January 2002 to avoid any period of operating in dual currencies. In all cases businesses located in the euro-zone 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, just 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 September 2000, Corus announced the creation of AvestaPolarit a company to be formed by the merger of Corus subsidiary, Avesta Sheffield, with the stainless steel activities of Finnish producer, Outokumpu. AvestaPolarit is one of the world's largest stainless steel producers and Corus has a holding of 23%. With effect from 22 January 2001 Avesta Sheffield ceased to be a subsidiary of Corus and, from the same date, AvestaPolarit became an associated undertaking. The Group effected a transfer of its 51% subsidiary investment in Avesta Sheffield in exchange for a 23% associate interest in AvestaPolarit. The transaction has been accounted for as an exchange of shares. This exchange gave rise to £100m of goodwill, which is included in the carrying value of associates and is being amortised over 15 years.

Until the date of exchange of shares 100% of the operating result of Avesta Sheffield was included in the Group's total operating profit or loss. The minority share was only taken out

of the profit after taxation. From 22 January 2001 the total operating profit or loss only includes 23% of the result of AvestaPolarit. This change distorts the result of the total stainless steel segment in the year to year analysis of financial results.

There were two other significant transactions in the period. On 28 June 2001 the trade and assets of PSW Industries were sold to Tempel Steel for £13m. In addition Trico Steel, the Group's 25% owned US joint venture, filed for Chapter 11 protection from creditors on 27 March 2001. Subject to court approval it is proposed that Trico sells substantially all of its assets to Nucor Corporation, the proceeds of which will help to pay off its financial creditors. This investment had been fully provided against as at 30 December 2000.

### **Accounting policies**

Details of the main accounting policies used by the Group appear on pages 43 to 45. The financial statements to 29 December 2001 have been produced in accordance with the applicable 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 78 to 81.

Preparation of financial statements includes the need to make assumptions and estimations. The most significant areas of judgement for Corus related to the adoption of FRS 19 'Deferred Tax' (see below), the treatment of the AvestaPolarit transaction as an exchange of shares as discussed in the 'Acquisitions and

disposals' section, and the value of provisions created in 2000 for redundancy and related costs, accelerated depreciation and other rationalisation costs following the strategic review of UK carbon steel activities.

There have been no new UK standards issued by the Accounting Standards Board since the last Report & Accounts. However three standards, FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax', were issued during November and December 2000, but application was not mandatory in 2000.

FRS 17 requires any surplus or deficit on the Group's pension schemes to be recognised in the balance sheet. The two principal pension schemes Corus operates are in significant surplus, which will result in an additional asset being recognised. At 29 December 2001, Corus estimates this asset to be £865m. The standard is not mandatory for the current year and has not yet been adopted, although the required transitional disclosures have been made.

FRS 18 sets out the principles to be followed in selecting accounting policies and related estimation techniques and measurement bases, and related disclosures. The standard has been adopted by Corus in 2001 but the adoption has no effect on the results or balance sheet of the Group.

From 1 January 2001 the Group has adopted FRS 19, which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and

their recognition in tax computations. In adopting FRS 19, the Group has chosen to discount deferred tax assets and liabilities. The comparative figures for all prior periods have been restated to reflect the impact of FRS 19. The change of accounting policy also affected amounts included in respect of subsidiary goodwill and minority interests.

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.

# 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 £419m representing a loss per share of 13.42p. Translation losses of £58m arose on foreign currency net investments, mainly from the Group's investment in Corus Nederland BV and AvestaPolarit Oyj Abp, so that total recognised losses in the period amounted to £477m.

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

Shareholders' funds reduced by £434m to £3,061m, primarily reflecting the loss for the period, and representing net assets of 98p per share. The Company's share price fluctuated within the range of 40p to 82.75p during the period, with a price at the end of the period of 74p and stock market capitalisation of £2,314m.

## Capital structure and treasury policy

Average net debt during the period was some £1,665m and net debt at 29 December 2001 amounted to £1,560m (30 Dec 2000: debt of £1,676m; 2 Oct 1999: funds of £161m; 3 Apr 1999: funds of £463m). Cash and short term investments at 29 December 2001 amounted to £184m.

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

At 29 December 2001, the Group had £2,445m in committed borrowing facilities, of which £761m was unutilised.

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

Total borrowings at 29 December 2001 were £1,744m. These included:

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

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

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

NLG250m 7% bonds due 2002

NLG200m 6.75% bonds due 2004

NLG335m 4.625% subordinated convertible bonds due 2007

NLG300m 5.625% bonds due 2008.

Other borrowings included £779m principally in US dollars, euros and sterling under long term bank facilities with maturities of up to five years, bank overdrafts of £27m and finance lease obligations totalling £30m. Of the total borrowings, £781m of bank borrowings carry interest on variable rate terms, which ranged at period

end between 3.0% and 7.1% with a weighted average of 4.3%.

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.

Future capital expenditure commitments are detailed in Note 27 on page 68.

## 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 29 December 2001 the Group had £697m in euro denominated borrowings and £337m 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 29 December 2001 the Group held forward currency sales of principally mainland European currencies amounting to £572m (period end value £585m) and forward currency purchases of principally US dollars amounting to £343m (period end value £344m). These amounts represented substantially 100% of the contracted transaction exposure in these currencies at 29 December 2001. Foreign exchange contracts do not generally extend beyond 12 months.

### 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. Other LME purchases and sales are made to hedge against the costs of production for fixed periods. Across the Group forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices. At 29 December 2001 the Group had total commodity contracts of £251m (fair value £226m).

### Interest rate risk management

The Group's financial structure is conservative and it is Group policy for 50-70% of net debt to be at fixed rates, principally achieved by fixed rate borrowings. At 29 December 2001 61% 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 22 and 23 to the accounts on pages 61 and 62. 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 29 December 2001 the Group had outstanding forward contracts of £229m in respect of actual and forecast transaction exposures. The period end value of these contracts at 29 December 2001 amounted to £241m resulting in a fair value of £12m. A 10% appreciation of sterling would decrease the fair value of these contracts by £14m.

At 29 December 2001 the Group had net debt of £608m exposed to floating interest rates. A 1% decrease in average interest rates would cause an increase in annual future earnings of £6m before tax.

### Taxation

The net taxation credit for the period was £43m, after prior year credits amounting to £6m. Within the total, UK corporation tax at 30% was £25m, reduced to £nil by double taxation relief. Taxation on the Group's overseas profits amounted to £28m and the Group's share of taxation of joint ventures and associated undertakings amounted to £5m. Deferred tax credits, UK and overseas, totalled £70m.

### Funds from operating activities and other cash flows

Net debt decreased by £116m in the period giving a movement from net debt of £1,676m at 30 December 2000 to net debt of £1,560m at 29 December 2001. Net debt consisted of borrowings of £1,744m less cash balances and deposits of £184m. The movement largely reflected the deconsolidation of Avesta Sheffield.

There was a net cash inflow from operating activities of £172m in spite of an operating loss of £385m. The inflow reflected a reduction in working capital of £309m partially offset by the cash cost of restructuring and rationalisation measures amounting to £137m.

There was a net cash outflow on investments and servicing of finance of £110m reflecting the level of net debt during the period. There was also a cash outflow on capital expenditure and financial investment of £130m.

The cash inflow from acquisitions and disposals of £49m mainly arose from the deconsolidation of the Avesta Sheffield net overdraft. There were also tax receipts totalling £13m.

A net £60m was applied to repaying gross borrowings.

### Minority interests

At 29 December 2001, minority interests in subsidiary undertakings amounted to £60m (30 Dec 2000: £380m; 2 Oct 1999: £303m; 3 Apr 1999: £311m) arising principally from the consolidation of Corus L.P.. The reduction in minority interests from 2000 reflects the deconsolidation of Avesta Sheffield.

# The Board

## **Sir Brian Moffat OBE**

### **Chairman**

Sir Brian Moffat (63) was appointed Chairman of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. Between December 2000 and September 2001 he acted as Chairman and Chief Executive. He is Chairman of the Nominations committee and serves on the Health, Safety and Environment committee. He joined British Steel in 1968 and held various senior positions before being appointed Managing Director, Finance in 1986, becoming Chief Executive in 1991 and Chairman in 1993. He relinquished the post of Chief Executive in 1999, but remained as part-time Chairman. He is currently a non-executive director and Deputy Chairman of HSBC Holdings plc, a non-executive director of Enterprise Oil 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 Howmet Corporation (USA) (1991-1995).

## **Mr Hendrikus de Ruiter**

### **Deputy Chairman, Independent**

Hendrikus de Ruiter (68) was appointed a non-executive director and Deputy Chairman of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. He is Chairman of the Remuneration committee and serves on the Nominations and Health, Safety and Environment committees. He joined the Supervisory Board of Koninklijke Hoogovens NV in 1995 and was appointed Chairman in 1997. He was also Chairman of the Nominations and Remuneration committees. He is currently a member of the Supervisory Boards of N.V. Koninklijke Nederlandsche Petroleum Maatschappij, Shell Petroleum N.V., The Shell Petroleum Comp. Ltd, Aegon N.V. (Vice Chairman), Heineken N.V., Koninklijke Ahold N.V. (Chairman), Koninklijke Vopak N.V., Wolters Kluwer N.V. (Chairman) and Beers Bedrijfsauto B.V. (Chairman). He was previously Managing Director of N.V. Koninklijke Nederlandsche Petroleum Maatschappij and also Group Director of Royal Dutch Shell Group of Companies (1983-1994).

## **Mr Tony Pedder**

### **Chief Executive**

Tony Pedder (52) was appointed Chief Executive of Corus Group plc in September 2001. He has been an executive director of Corus Group plc since 1999 when the Company was formed for the merger of British Steel plc and Koninklijke Hoogovens NV. He joined British Steel in 1972 and held various senior positions before being appointed an executive director in 1992. He is currently Vice Chairman of AvestaPolarit Oyj Abp and a non-executive director of Delta plc. He was a non-executive director of Caparo Merchant Bar plc until January 2002.

## **Sir Nicholas Goodison**

### **Independent**

Sir Nicholas Goodison (67) was appointed a non-executive director of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. He is Chairman of the Audit committee and serves on the Nominations committee. He joined the Board of British Steel plc in 1989 and was appointed Deputy Chairman in 1993. He was also Chairman of the Audit and Remuneration committees. He was Deputy Chairman of Lloyds TSB Group (1995-2000), Chairman of TSB Group plc (1989-1995) and of the London Stock Exchange (1976-1988).

## **Mr James W Leng**

### **Independent**

Jim Leng (56) was appointed a non-executive director of Corus Group plc in June 2001. He serves on the Remuneration and Health, Safety and Environment committees. He is a non-executive director of Pilkington plc and Chairman of its Remuneration committee. 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 David Lloyd**

### **Executive Director**

David Lloyd (38) 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 is a non-executive director of AvestaPolarit Oyj Abp.

## **Mr Aarnout Loudon**

### **Independent**

Aarnout Loudon (65) was appointed a non-executive director of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. He serves on the Audit and Nominations committees. He was appointed as a member of the Supervisory Board of Koninklijke Hoogovens NV in 1982. He was a member of the Nominations and Remuneration committees. He is currently Chairman of the Supervisory Boards of Akzo Nobel NV, ABN AMRO Holdings NV and ABN AMRO Bank NV, and Hollandsche Beton Groep NV. He is a member of the Supervisory Board of N.V. Koninklijke Nederlandsche Petroleum Maatschappij. He is a former member of the First Chamber of the Dutch Parliament and was Chairman of the Board of Management of Akzo Nobel NV (1982-1994).

## **Mr Stuart Pettifor**

### **Executive Director**

Stuart Pettifor (56) 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 Oyj of Finland to form AvestaPolarit Oyj Abp in 2001 when he became Deputy Chief Executive Officer and President, Coil Products, of the new company. He is responsible for a portfolio of businesses within Corus including Corus Strip Products IJmuiden and Corus Strip Products UK, Corus Packaging Plus, Corus Colors and Corus Tubes.

## **Mr Richard Turner OBE**

### **Independent**

Richard Turner (59) was appointed a non-executive director of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. He serves on the Audit and Remuneration committees. He joined the Board of British Steel plc in 1994 and served on the Audit and Remuneration committees. He is Group Marketing Director of Rolls-Royce plc, a non-executive director of Senior plc and a member of the Board of British Trade International.

## **Mr Eric van Amerongen**

### **Independent**

Eric van Amerongen (48) was appointed a non-executive director of Corus Group plc in April 2001. He serves on the Remuneration and Audit committees. He is non-executive Chairman of Lucent NL. 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.

## **Mr Maarten van Veen**

### **Independent**

Maarten van Veen (67) was appointed a non-executive director of Corus Group plc in 1999 for the merger of British Steel plc and Koninklijke Hoogovens NV. He is Chairman of the Health, Safety and Environment committee. He joined the Board of Management of Koninklijke Hoogovens NV in 1978 and was appointed Chairman in 1993. He was appointed to the Supervisory Board in 1998 and was a member of the Nominations and Remuneration committees. He is a member of the Supervisory Boards of Koninklijke Volker Wessels Stevin NV (Chairman), ABN AMRO Holdings NV and ABN AMRO Bank NV, Akzo Nobel NV and Imtech NV. He is Chairman of the Royal Concertgebouw Orchestra.

## **Mr Henk Vrans**

### **Executive Director**

Henk Vrans (57) 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 is responsible for a portfolio of businesses within Corus including Corus Primary Aluminium, Corus Aluminium Extrusions, Corus Aluminium Rolled Products, Corus Special Strip, Cogent Power, Corus Metal Services North America and International. 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*

Sir Nicholas Goodison (Chairman)  
Eric van Amerongen  
Aarnout Loudon  
Richard Turner

### *Remuneration committee*

Hendrikus de Ruiter (Chairman)  
Eric van Amerongen  
Jim Leng  
Richard Turner

### *Health, Safety and Environment committee*

Maarten van Veen (Chairman)  
Jim Leng  
Sir Brian Moffat  
Hendrikus de Ruiter

### *Nominations committee*

Sir Brian Moffat (Chairman)  
Sir Nicholas Goodison  
Aarnout Loudon  
Hendrikus de Ruiter

## **Mr Richard Reeves**

### **Secretary**

*Richard Reeves (56) is the Company Secretary of Corus Group plc and is Secretary of the Executive committee. He joined British Steel in 1989 as Company Secretary. He also has responsibility for Group property and legal matters.*

# The Executive committee

<p><b>Tony Pedder</b> Chief Executive</p> <p>Strategy Corporate Relations AvestaPolarit</p>	<p><b>David Lloyd</b> Executive Director Finance</p>	<p><b>Richard Reeves</b> Company Secretary</p>
<p>Corporate Finance Mergers and Acquisitions Internal Audit Investor Relations</p>		<p>Secretariat Property Legal Services</p>
<p><b>Chris Hollick</b></p>	<p><b>Allan Johnston</b></p>	<p><b>Stuart Pettifor</b> Executive Director</p>
<p><b>Corus Building Systems</b> Steel and aluminium products for the building industry including roof and wall cladding.</p> <p><b>Corus Metal Services Europe</b> Full range of Corus products and processing services.</p> <p><b>Commercial Co-ordination</b> Field Commercial Teams Europe Sector Units: Automotive and Construction Research, Development and Technology Information Technology/Systems Supplies and Transport</p>	<p>Health and Safety Human Resources Environment Pension Schemes Pension Investments (UK) UK Steel Enterprise Limited</p> <p><b>Corus Consulting</b> Consultancy, technology, training and operational assistance to steel and aluminium industries.</p>	<p><b>Corus Strip Products IJmuiden</b> Hot rolled steel strip; cold rolled and metallic coated steel.</p> <p><b>Corus Strip Products UK</b> Hot rolled steel strip; cold rolled and metallic coated steel.</p> <p><b>Corus Packaging Plus</b> Light gauge coated steel for packaging and non-packaging applications.</p> <p><b>Corus Colors</b> Organic coated steels.</p> <p><b>Corus Tubes</b> Steel tubes, hollow sections, OCTG, linepipe and pipeline project management.</p>

**Business units**  
**Corporate functions**

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

**Henk Vrins**  
Executive Director

**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.

**Peter Wheelen**

**Corus Construction & Industrial**  
Plate, sections, piling, wire rod and semi-finished steel.

**Corus Engineering Steels**  
Engineering billet, rolled and bright bar.

**Corus Rail**  
Railway products, design and consultancy, rail infrastructure contracting.

**Corus Special Profiles**  
Custom designed hot rolled special steel profiles.

**Corus Tuscaloosa**  
Plate products in both coil and cut plate form.

Biographies of the Executive Directors are on pages 22 and 23.

For the purposes of the Report & Accounts 2001 on Form 20-F, the following are considered as senior officers of the Company:

*Chris Hollick* (54) 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* (53) 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 and was appointed to the Executive committee in 1997.

*Peter Wheelen* (55) was appointed a member of the Executive committee in January 2002. He joined British Steel in 1972.

# Directors' report

The directors present their report and the audited accounts for the financial year ended 29 December 2001.

## 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 6 to 21.

## Post balance sheet events

These are covered in detail in Note 35 to the accounts on page 75.

## Results and dividend

The loss before taxation was £462m for the financial year ended 29 December 2001 (15 months ended 30 Dec 2000: restated loss of £1,275m; 6 months ended 2 Oct 1999: loss of £167m; 12 months ended 3 Apr 1999: loss of £142m).

No dividend was paid during the year and the directors do not recommend the payment of any final dividend (total dividend 2000: 1p; 1999: nil; 1998/99: 10p).

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

## Fixed assets

These are covered in detail in Notes 11 to 13 to the accounts.

## Substantial shareholders

As at 15 March 2002, the Company had been notified of the following non-material interests in its issued ordinary share capital:

	% held
Brandes Investment Partners, LP	15.7
The Capital Group Companies, Inc	9.0

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

## Directors

The directors of the Company who held office during the financial year to 29 December 2001 are listed on the opposite page.

Mr H de Ruiter and Sir Nicholas Goodison will retire by rotation and are not seeking re-election.

Mr M C van Veen will also retire by rotation and, being eligible, offers himself for re-election.

Mr A A Loudon will retire at the conclusion of the Annual General Meeting.

Mr E A van Amerongen, Mr J W Leng and Mr S I Pettifor, having been appointed since the last Annual General Meeting, retire and offer themselves for election.

Mr S I Pettifor has a service contract which provides for a one year notice period. Mr E A van Amerongen and Mr J W Leng 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.

## Board

The Board comprises the Chairman, seven other non-executive directors and four executive directors.

Sir Brian Moffat had temporary executive responsibility in the combined role of Chairman & Chief Executive up to 1 September 2001 when Mr A P Pedder was appointed Chief Executive. Sir Brian Moffat has since reverted to the role of non-executive part-time Chairman.

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

During the year, the Deputy Chairman, Mr H de Ruiter, was the senior independent director.

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.

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**Directors holding office during the year**

	Date of Appointment	Date of Resignation
Sir Brian Moffat		
Mr H de Ruiter		
Mr A P Pedder		
Sir Nicholas Goodison		
Mr A A Loudon		
Mr R T Turner		
Mr M C van Veen		
Mr H A M Vriens		
Mr E A van Amerongen	27 April 2001	
Mr J W Leng	12 June 2001	
Mr D M Lloyd	1 February 2001	
Mr S I Pettifor	1 September 2001	
Mr F C W Briët		29 August 2001
Mr R Hazelhoff		27 April 2001
Mr J L Rennocks		31 January 2001
Mr B K Sanderson		12 June 2001

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Mr M C van Veen (Chairman), Mr J W Leng, Sir Brian Moffat and Mr H de Ruiter. It is responsible for reviewing the Company's performance in terms of compliance with health, safety and environmental legislation and to formulate the Company's policies with regard to such issues.

**Nominations committee**

The Nominations committee comprises Sir Brian Moffat (Chairman), Sir Nicholas Goodison, Mr A A Loudon and Mr H de Ruiter. All are independent directors except the Chairman. 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 a number of directors are available for this purpose.

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

The Combined Code requires at least 20 working day's notice of Annual General Meeting to be given to shareholders. This was not practically possible for this forthcoming Annual General Meeting.

Biographies of all current directors are set out on pages 22 and 23.

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

Appointments to the Board are considered initially by the Nominations committee whose recommendations are then made to the full Board.

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

**Board committees**

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

**Audit committee**

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

**Remuneration committee**

The Remuneration committee comprises Mr H de Ruiter (Chairman), Mr E A van Amerongen, Mr J W Leng and Mr R T Turner, all of whom are independent directors. It is responsible for determining the remuneration and other contract terms for the executive directors and the company secretary. It is also responsible for the granting of options and the operation of the executive share option schemes.

**Health, Safety and Environment committee**

The Health, Safety and Environment committee comprises

## Accountability and audit

A statement of the directors' responsibilities for the preparation of the financial statements is set out on page 36.

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.

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

## Going concern

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

## Internal control

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

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

detected within a timely period.

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

The key elements of the control system in operation are:

- the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- there are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- 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 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 and accounts for the financial year ended 29 December 2001 and up to the date of approval of the annual report and accounts that have required the Board to deal with any related material internal control issues.

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

## Compliance with the combined code

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

- following the resignations of the joint Chief Executives in December 2000, the roles of Chairman and Chief Executive were temporarily combined. Mr A P Pedder was appointed Chief Executive on 1 September 2001;
- prior to his appointment as Chief Executive, Mr A P Pedder had a contract providing for two years' notice from the Company. His current contract provides for a one year notice period;
- 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.

## Report on remuneration Remuneration policy

The Company's policy on executive remuneration is geared to attracting, retaining and motivating individuals of the appropriate calibre and with the necessary skills to manage and develop the Company successfully in each of the countries where the Group has activities. The Board is advised on these matters by the Remuneration committee which meets as and when necessary. The

<b>Emoluments of directors</b>	<b>12 months 2001 £</b>	<b>15 months 2000 £</b>	<b>6 months 1999 £</b>
<b>Executive directors:</b>			
Salaries and related benefits	<b>2,196,790</b>	2,623,355	1,049,813
Performance related earnings	-	-	-
Deferred leave paid in lieu (i)	-	41,596	202,061
<b>Non-executive directors:</b>			
Fees and related benefits	<b>231,413</b>	284,874	78,833
<b>Former directors:</b>			
Compensation to directors for loss of office (ii)	<b>165,164</b>	2,657,078	-
	<b>2,593,367</b>	5,606,903	1,330,707

- (i) The Company operates a deferred leave scheme for senior executives formerly employed by British Steel whereby one week's leave is earned for each year of service to be taken as extended leave during service or as salary in lieu to the extent not taken on leaving service. Executive directors participated in the scheme but ceased to do so in 1994. Accrued credits up to the date of cessation have been honoured to be taken as leave or as salary in lieu, and reported as emoluments in the year that the payment is made. The amount paid in 1999 related to Sir Brian Moffat and the amount paid in 2000 related to Mr Pedder whose entitlement from his British Steel service contract was paid in lieu at the time he signed his contract with Corus. None of the directors now have any accrued credits.
- (ii) Compensation was paid or provided for in 12 months 2001 for Mr F C W Briët, and in 15 months 2000 to three directors: Mr A van de Velden £633,563, Mr J F van Duyne £1,147,205 and Mr J M Bryant £876,310.

committee met six times during the year. In addition to the Remuneration committee members, the Chairman of the Company, Sir Brian Moffat, and the Chief Executive, Mr A P Pedder, may attend meetings by invitation but are not present when their remuneration is discussed.

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

The key elements of executive directors' remuneration are:

- basic salaries which align with comparator market practice and which are reviewed annually;
- an annual incentive scheme in which rewards depend on the achievement of stretching financial targets;

- an Executive Share Option Scheme as an incentive to contribute to the Company's longer term development and to increasing shareholder value;
- membership of the appropriate Company arrangements providing pension benefits consistent with other eligible senior employees and with comparator company practice.

## Basic salaries

Basic salaries are set after review of individual performance and with reference to independent advice on salary levels for similar roles in other comparable companies, using job evaluation to establish relevant benchmarks from external market data.

## Annual incentive scheme

The annual incentive scheme introduced for 2000 was adopted for 2001. The scheme is based on a sliding scale of profit after tax and minority interests, with a bonus of 5% of annual salary payable at a profit of £300m and the maximum

50% payable at a profit of £750m.  
No bonus accrued for the 12 months ended 29 December 2001, reflecting the difficult year that the Company has experienced.

### Service contracts

The service contracts for all executive directors are subject to a maximum of one year's notice on the part of the Company.

### Termination payments

Mr F C W Briët resigned from the Board on 29 August 2001 at age 53. The termination payments to Mr F C W Briët (including salary for the month of January 2002) either paid in the period or provided for in the accounts amount to £165,164.

## Analysis of executive directors' emoluments

	Basic salary and fees			Performance related earnings			Taxable benefits			Total		
	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999
	£	£	£	£	£	£	£	£	£	£	£	£
Sir Brian Moffat (i)	558,846	302,818	318,447	-	-	-	21,696	53,842	7,593	580,542	356,660	326,040
A P Pedder	410,000	423,512	128,585	-	-	-	24,047	59,639	17,618	434,047	483,151	146,203
F C W Briët††(ii)	260,000	19,000	-	-	-	-	48,584	4,746	-	308,584	23,746	-
J M Bryant††	-	481,400	200,000	-	-	-	-	28,443	24,140	-	509,843	224,140
J W Edington (iii)	-	-	117,662	-	-	-	-	-	11,837	-	-	129,499
H Homer (iii)	-	-	131,210	-	-	-	-	-	24,158	-	-	155,368
D M Lloyd†	252,083	-	-	-	-	-	17,465	-	-	269,548	-	-
J B McDowall (iii)	-	-	134,710	-	-	-	-	-	7,430	-	-	142,140
S I Pettifor†	106,667	-	-	-	-	-	3,351	-	-	110,018	-	-
J L Rennocks††	69,801	345,074	117,662	-	-	-	7,814	29,355	10,822	77,615	374,429	128,484
J F van Duyn††	-	487,256	-	-	-	-	-	68,388	-	-	555,644	-
A van der Velden††	-	307,708	-	-	-	-	-	30,265	-	-	337,973	-
H A M Vrins (ii)	324,155	19,000	-	-	-	-	92,281	4,505	-	416,436	23,505	-
Sub total	1,981,552	2,385,768	1,148,276	-	-	-	215,238	279,183	103,598	2,196,790	2,664,951	1,251,874

## Analysis of non-executive directors' emoluments

	Basic salary and fees			Performance related earnings			Taxable benefits			Total		
	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999	12 months 2001	15 months 2000	6 months 1999
	£	£	£	£	£	£	£	£	£	£	£	£
H de Ruijter	58,500	72,300	-	-	-	-	-	-	-	58,500	72,300	-
E A van Amerongen†	18,207	-	-	-	-	-	-	-	-	18,207	-	-
J F Devaney (iii)	-	-	11,000	-	-	-	-	-	-	-	-	11,000
Sir Nicholas Goodison	32,000	39,549	27,500	-	-	-	-	-	-	32,000	39,549	27,500
K W Gray (iii)	-	-	11,000	-	-	-	-	-	-	-	-	11,000
R Hazelhoff††	9,000	33,369	-	-	-	-	-	-	-	9,000	33,369	-
J W Leng†	14,954	-	-	-	-	-	-	-	-	14,954	-	-
A A Loudon	27,000	33,369	-	-	-	-	-	-	-	27,000	33,369	-
B K Sanderson††	14,400	39,549	11,000	-	-	-	-	-	-	14,400	39,549	11,000
Sir Giles Shaw (iii)	-	-	7,333	-	-	-	-	-	-	-	-	7,333
R T Turner	27,000	33,369	11,000	-	-	-	-	-	-	27,000	33,369	11,000
M C van Veen	30,352	33,369	-	-	-	-	-	-	-	30,352	33,369	-
Sub total	231,413	284,874	78,833	-	-	-	-	-	-	231,413	284,874	78,833
Grand total	2,212,965	2,670,642	1,227,109	-	-	-	215,238	279,183	103,598	2,428,203	2,949,825	1,330,707

† From date of appointment

†† Up to date of leaving the Company

### Notes:

- (i) Sir Brian Moffat's emoluments during 12 months 2001 relate to both executive and non-executive duties. He was Chairman & Chief Executive from December 2000 to August 2001.  
(ii) Mr F C W Briët and Mr H A M Vrins were appointed to the Board on 5 December 2000 and the comparative figures reflect this fact.  
(iii) The comparatives include the emoluments of directors who were directors of British Steel plc but not directors of Corus Group plc.

## Loans to directors

	Highest amount outstanding in the year £	Outstanding at end of the year £	Repayment by
Mr M C van Veen	25,667	24,588	2030
Mr H A M Vrins	42,437	–	–
Mr F C W Briët	42,779	41,440	2002

### Notes:

- (i) Loans to two other former directors outstanding at 29 December 2001 amount to £46,691 (2000: £50,859).
- (ii) The highest amounts outstanding in the year also represent the amounts outstanding at the beginning of the year.
- (iii) Loans outstanding at the end of the period have been translated at the year end spot exchange rate.

## Loans

In line with the practice of Koninklijke Hoogovens NV, certain directors and former directors have interest free, unsecured loans from Corus Nederland BV which originated before they joined the Board of Corus Group plc. Mr H A M Vrins repaid in full the loan to him on 27 November 2001. The Companies Act 1985 does not allow Corus Group plc to make or to have subsisting loans to directors, but does permit loans from overseas subsidiaries which were already in existence at the date of appointment to remain in place.

## Pension arrangements

### UK

Where executive directors are covered by the UK pension

arrangements they are eligible for membership of the main section of the British Steel Pension Scheme in common with other eligible employees, and of the supplementary section for senior managers. The pension arrangements provide defined benefits which are separately funded and subject to Inland Revenue requirements. The pensions are normally based on final pensionable earnings and length of pensionable service. The pension benefits depend on individual circumstances but, for long serving executive directors, the scheme will normally provide a pension of two-thirds of pensionable earnings at age 60. Details are set out in each individual service contract.

A limited number of senior executives are affected by the Inland Revenue earnings cap introduced by the Finance Act 1989 and have been given a contractual right to pension benefits broadly equivalent to those of their colleagues to whom the cap does not apply. The costs of these benefits are provided for in the Company's accounts but are not externally funded.

The pension benefits for the majority of employees in the British Steel Pension Scheme are based on gross earnings inclusive of bonus. For executive directors and other senior managers, bonus for pension purposes has been subject to a maximum of 30% of basic salary. However, the Remuneration committee has previously concluded that variable earnings will not be pensionable for executive directors appointed on or after 1 September 1998. Additionally, with effect from 6 October 1999, bonuses of any nature will not be pensionable in respect of service after that date for all executive directors.

## Pension benefits earned by directors – UK

	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	52	20,500	4,341	169,216
D M Lloyd	38	13,090	10,280	36,018
S I Pettifor	56	13,290	9,718	124,613
J L Rennocks	56	2,597	43,108	81,447

### Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year on normal pension age retirement based on service to the end of the current year.
- (ii) The details shown have been calculated as at 31 December 2000 and 31 December 2001 and exclude the amount and value of any additional voluntary contributions paid by the director. The increases in accrued pension during the year have been offset to take account of inflation on the accumulated total accrued pension.
- (iii) Normal pension age for the directors is age 60.
- (iv) Widow's pension is two-thirds of the director's pension.
- (v) An immediate pension is payable on early retirement on or after age 50 when retirement is at the request of the Company or at any age on the grounds of incapacity. Mr J L Rennocks retired on 31 March 2001 on account of incapacity and the figures reflect this fact.
- (vi) In accordance with the pension scheme rules, pensions are increased annually after retirement by reference to increases in the Retail Prices Index.
- (vii) No discretionary benefits are applicable in the calculation of transfer values on leaving service. Any transfer value would be calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

**Pension benefits earned by directors – Netherlands**

	Director's age at year end	Increase in accrued early retirement pension (age 62 to 65) during year £ p.a.	Accumulated total accrued pension (age 62 to 65) at year end £ p.a.	Increase in accrued pension (from age 65) during the year £ p.a.	Accumulated total accrued pension (from age 65) at year end £ p.a.
F C W Briët	54	140,450	152,893	662	123,917
H A M Vrans	57	32,941	101,737	30,232	165,471

Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year based on service to the end of the current year.
- (ii) The details shown have been calculated as at 31 December 2000 and 31 December 2001 and exclude the amount and value of any additional voluntary contributions paid by the director. The increases in accrued pension during the year have been offset to take account of inflation on the accumulated total accrued pension.
- (iii) Pension contributions in respect of the executive directors are paid by the Company.
- (iv) Widow's pension is three-quarters of the director's pension at normal pension age (65).
- (v) Mr F C W Briët resigned from the Board on 29 August 2001. The figures reflect accrued benefits up to 31 January 2002, when his employment with the Company ended.
- (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.

*Netherlands*

The executive directors covered by the Dutch pension arrangements are eligible for membership of the SPH scheme in common with other eligible employees. This scheme contains an early retirement pension from age 62 to 65, and a normal pension from age 65. Since the scheme limits pensionable earnings to £121,420, arrangements have been made to provide pension benefits in respect of that part of earnings exceeding this limit. These arrangements are defined benefit plans. Details are set out in each individual service contract.

have been met at the time of exercise. To meet the performance conditions under the scheme the Company's ranking, based on total shareholder return ('TSR') (calculated by reference to both dividends and growth in share price) over the relevant (three year) period, should be above the TSR achieved by the median company in the companies making up the comparator group. In addition, there should be a minimum return on capital employed over the relevant period at the rate of 4% per annum.

Options are granted at the discretion of the Remuneration committee.

**Directors' interests**

The beneficial interests of the directors and their families in the ordinary shares of the Company were as detailed below.

**Executive share options**

There are 495 participants currently included in the executive share option schemes in addition to the executive directors. Options are normally granted annually and may be exercised after the elapse of three years and before the expiry of ten years from the date of grant.

Performance conditions apply to options granted under the scheme and normally options cannot be exercised unless those conditions

	29 Dec 2001 No of shares	30 Dec 2000 No of shares
Sir Brian Moffat	250,764	250,764
H de Ruiter	-	-
A P Pedder	98,794	98,353
E A van Amerongen	-	-†
Sir Nicholas Goodison	36,001	36,001
J W Leng	-	-†
D M Lloyd	1,352	911†
A A Loudon	-	-
S I Pettifor	-	-†
R T Turner	6,501	6,501
M C van Veen	13,101	13,101
H A M Vrans	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 15 March 2002 Mr A P Pedder and Mr D M Lloyd have each acquired 307 partnership shares under the employee share ownership plan.

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

Executive share options	Date of grant	Option price	30 Dec 2000	Movement during the year			29 Dec 2001	Exercise Period	
			Number	Granted Number	Exercised Number	Lapsed/ cancelled Number	Number	From	To
Sir Brian Moffat	1994	107p	206,790	–	–	–	<b>206,790</b>	1997	2004
	1995	130p	179,973	–	–	–	<b>179,973</b>	1998	2005
	1996	138p	178,311	–	–	–	<b>178,311</b>	1999	2006
	1997	122p	215,229	–	–	–	<b>215,229</b>	2000	2007
			<b>780,303</b>	–	–	–	<b>780,303</b>		
A P Pedder	1993	74p	89,414	–	–	–	<b>89,414</b>	1996	2003
	1994	107p	111,761	–	–	–	<b>111,761</b>	1997	2004
	1995	130p	96,948	–	–	–	<b>96,948</b>	1998	2005
	1996	138p	95,925	–	–	–	<b>95,925</b>	1999	2006
	1997	122p	115,853	–	–	–	<b>115,853</b>	2000	2007
	1999	129p	228,225	–	–	–	<b>228,225</b>	2002	2009
	2000	120p	256,800	–	–	–	<b>256,800</b>	2003	2010
2001	55p	–	309,000	–	–	<b>309,000</b>	2004	2011	
			<b>994,926</b>	<b>309,000</b>	–	–	<b>1,303,926</b>		
F C W Briët	2000	120p	216,100	–	–	–	<b>216,100</b>	2003	2010
	2001	55p	–	470,100	–	–	<b>470,100</b>	2004	2011
			<b>216,100</b>	<b>470,100</b>	–	–	<b>686,200<sup>††</sup></b>		
D M Lloyd	1994	107p	11,750	–	–	–	<b>11,750</b>	1997	2004
	1995	130p	10,601	–	–	–	<b>10,601</b>	1998	2005
	1996	138p	11,239	–	–	–	<b>11,239</b>	1999	2006
	1997	122p	15,455	–	–	–	<b>15,455</b>	2000	2007
	1999	129p	52,879	–	–	–	<b>52,879</b>	2002	2009
	2000	120p	78,900	–	–	–	<b>78,900</b>	2003	2010
	2001	55p	–	497,200	–	–	<b>497,200</b>	2004	2011
			<b>180,824<sup>†</sup></b>	<b>497,200</b>	–	–	<b>678,024</b>		
S I Pettifor	1996	138p	40,746	–	–	–	<b>40,746</b>	1999	2006
	2001	50p	–	640,000	–	–	<b>640,000</b>	2004	2011
			<b>40,746<sup>†</sup></b>	<b>640,000</b>	–	–	<b>680,746</b>		
J L Rennocks	1996	138p	290,203	–	–	–	<b>290,203</b>	1999	2006
	1997	122p	105,124	–	–	–	<b>105,124</b>	2000	2007
	1999	129p	222,758	–	–	–	<b>222,758</b>	2002	2009
	2000	120p	236,900	–	–	–	<b>236,900</b>	2003	2010
			<b>854,985</b>	–	–	–	<b>854,985<sup>††</sup></b>		
H A M Vrins	2000	120p	216,100	–	–	–	<b>216,100</b>	2003	2010
	2001	55p	–	470,100	–	–	<b>470,100</b>	2004	2011
			<b>216,100</b>	<b>470,100</b>	–	–	<b>686,200</b>		

<sup>†</sup> At date of appointment

<sup>††</sup> At date of resignation

Notes:

- (i) The options granted during the year were granted at the average of the market price for the three days preceding the date of grant. No executive options were granted, exercised or lapsed other than those stated above.
- (ii) The market price of the Company's shares at 29 December 2001 was 74p and the range during the year to that date was 40p to 82½p.
- (iii) All options granted from and including July 1996 are subject to performance criteria.
- (iv) There were no changes in executive options between the period end and 15 March 2002.

**Sharesave options**

	Date of grant	Option price	30 Dec 2000	Movement during the year			29 Dec 2001	Exercise Period
			Number	Granted Number	Exercised Number	Lapsed/cancelled Number	Number	
Sir Brian Moffat	1995	100p	4,406	–	–	4,406	–	Apr - Sep 2001
	1998	88p	7,799	–	–	7,799	–	Apr - Sep 2003
			12,205	–	–	12,205	–	
A P Pedder	1995	100p	4,406	–	–	4,406	–	Apr - Sep 2001
	1998	88p	7,799	–	–	–	<b>7,799</b>	Apr - Sep 2003
	2001	51p	–	13,762	–	–	<b>13,762</b>	Jul - Dec 2006
			12,205	13,762	–	4,406	<b>21,561</b>	
D M Lloyd	1998	88p	11,020	–	–	11,020	–	Apr - Sep 2001
	2001	51p	–	13,016	–	–	<b>13,016</b>	Jul - Dec 2004
			11,020 <sup>†</sup>	13,016	–	11,020	<b>13,016</b>	
J L Rennocks	1998	88p	11,020	–	–	–	<b>11,020</b>	Apr - Sep 2001
			11,020	–	–	–	<b>11,020<sup>††</sup></b>	

<sup>†</sup> At date of appointment

<sup>††</sup> At date of resignation

Notes:

- (i) The market price at the date of grant of options was 79p.
- (ii) No options were granted or lapsed other than those stated above.
- (iii) Options were exercised over nil (2000: 12,030) shares under the Corus UK Sharesave Scheme and the aggregate gains on exercise amounted to £nil (2000: £240).
- (iv) The market price of the Company's shares at 29 December 2001 was 74p and the range during the year to that date was 40p to 82½p.
- (v) There were no changes to sharesave options between the year end and 15 March 2002.

## Community involvement

The Company recognises its responsibilities to the communities in which it operates. During the year, charitable donations in the UK by the Company amounted to £550,588 (2000: £619,192; 1999: £278,000; 1998/99: £498,000). 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 political donations were made.

## Suppliers

It is the policy of the Company and its UK subsidiaries to establish payment terms with suppliers when agreeing the terms of business transactions. The aim is to dispatch cheques on the due date or, where other means of payment are adopted, to deliver funds to suppliers as if payment had been made by cheque.

The Company had nil days' (30 Dec 2000: nil; 2 Oct 1999: 65 days) purchases outstanding at 29 December 2001, based on the average daily amount invoiced by suppliers during the year.

## Introduction of the euro

This is covered in detail in the Review of the period on page 18.

## Research and development

This is covered in detail in the Review of the period on pages 15 to 17.

## Share capital

Changes in the ordinary share capital during the period are given in Note 25 to the accounts on pages 64 to 66.

## Auditors

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

## Annual General Meeting

The Annual General Meeting will be held at Congress Centre, Great Russell Street, London WC1B 3LS on Monday 22 April 2002 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.

## Employees

The total number of employees world-wide of the Group as at 29 December 2001 was 52,700. There are well established and effective arrangements at each business location for communication and consultation with both employees' Works Councils and

Trade Union representatives. The Company recognises its responsibilities towards disabled people and employs them where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the Company.

The Company continues to operate a UK Inland Revenue approved Sharesave scheme. Shareholder approval to introduce an 'All Employee Share Ownership Plan' was given at the last Annual General Meeting. The Plan was launched for UK employees in August 2001 by an offer of £150 worth of free shares to each eligible employee.

## 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  
18 March 2002

## 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 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 to movement in net funds, the analysis of net borrowings, the presentation of accounts and accounting policies and the notes to the accounts, which have been prepared on a going concern basis, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

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  
18 March 2002

# 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 to movement in net funds, the analysis of net borrowings, the presentation of accounts and accounting policies and the notes to the accounts. We have also examined the amounts disclosed relating to remuneration of the directors which form part of the directors' report.

## Respective responsibilities of directors and auditors

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

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

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

We read the other information contained in the Report & Accounts, 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 statement by the chief executive, the review of the period, the financial review, the board, the executive committee, the directors' report, five year financial summary, some important data in euros, analysis of shareholdings at 29 December 2001, 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, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom Auditing Practices Board and with Auditing Standards generally accepted in the United States. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## United Kingdom Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 29 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom 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 29 December 2001, 30 December 2000 and 2 October 1999 and the results of its operations, and its cash flows for each of the periods ended 29 December 2001, 30 December 2000, 2 October 1999 and 3 April 1999, 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.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London  
18 March 2002

# Consolidated profit and loss account

For the financial period ended 29 December 2001	Note	12 months to 29 Dec 2001 £m	Restated 15 months to 30 Dec 2000 £m	Restated 12 months to 30 Dec 2000 unaudited £m	Restated 3 months to 1 Jan 2000 unaudited £m	Restated 6 months to 2 Oct 1999 £m	Restated 12 months to 3 Apr 1999 £m
<b>Turnover: group and share of joint ventures</b>		<b>7,924</b>	12,153	9,851	2,302	2,790	6,455
Less: share of joint ventures' turnover	1	<b>(225)</b>	(455)	(342)	(113)	(81)	(196)
<b>Group turnover</b>	1	<b>7,699</b>	11,698	9,509	2,189	2,709	6,259
Operating costs before exceptional items		<b>(8,076)</b>	(11,821)	(9,524)	(2,297)	(2,886)	(6,348)
Rationalisation and impairment exceptional items charged against operating costs	3	<b>(8)</b>	(1,033)	(1,018)	(15)	(12)	(85)
<b>Total operating costs</b>	2	<b>(8,084)</b>	(12,854)	(10,542)	(2,312)	(2,898)	(6,433)
<b>Group operating loss</b>	1	<b>(385)</b>	(1,156)	(1,033)	(123)	(189)	(174)
Share of operating results of joint ventures and associated undertakings	5	<b>12</b>	–	2	(2)	–	(3)
<b>Total operating loss</b>		<b>(373)</b>	(1,156)	(1,031)	(125)	(189)	(177)
Profit on sale of fixed assets		<b>17</b>	5	2	3	9	7
Profit on disposal of businesses, subsidiaries and associated undertakings		<b>2</b>	–	–	–	1	1
<b>Loss on ordinary activities before interest</b>	1	<b>(354)</b>	(1,151)	(1,029)	(122)	(179)	(169)
Net interest and investment income:							
Group	6	<b>(103)</b>	(118)	(100)	(18)	14	30
Joint ventures and associated undertakings	5	<b>(5)</b>	(6)	(6)	–	(2)	(3)
<b>Loss on ordinary activities before taxation</b>		<b>(462)</b>	(1,275)	(1,135)	(140)	(167)	(142)
Taxation	7	<b>43</b>	286	246	40	27	69
<b>Loss on ordinary activities after taxation</b>		<b>(419)</b>	(989)	(889)	(100)	(140)	(73)
Minority interests		<b>–</b>	(53)	(51)	(2)	(4)	24
<b>Loss for the financial period</b>		<b>(419)</b>	(1,042)	(940)	(102)	(144)	(49)
Dividends	9	<b>–</b>	(31)	(31)	–	–	(201)
<b>Loss retained for the financial period</b>	26	<b>(419)</b>	(1,073)	(971)	(102)	(144)	(250)
<b>Basic loss per ordinary share</b>	10	<b>(13.42)p</b>	(33.50)p	(30.19)p	(3.31)p	(7.27)p	(2.47)p
<b>Diluted loss per ordinary share</b>	10	<b>(13.42)p</b>	(33.50)p	(30.19)p	(3.31)p	(7.27)p	(2.47)p

There were no material acquisitions or discontinued activities in the period.

Notes and related statements forming part of these accounts appear on pages 43 to 77; Note 26 sets out the movements on reserves.

# Balance sheets

At 29 December 2001	Note	The Company		The Group		
		29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
<b>Fixed assets</b>						
Intangible assets	11	–	–	135	152	10
Tangible assets	12	–	–	3,064	3,763	3,116
Investments in subsidiary undertakings	13	3,159	3,159	–	–	–
Investments in joint ventures:						
Share of gross assets		–	–	339	370	184
Share of gross liabilities		–	–	(211)	(228)	(111)
Investments in associated undertakings		–	–	128	142	73
Other investments and loans		49	–	65	75	139
	13	49	–	551	228	218
		3,208	3,159	3,750	4,143	3,344
<b>Current assets</b>						
Stocks	14	–	–	1,320	1,719	1,061
Debtors: amounts falling due after more than one year	15	3	–	468	378	96
Debtors: amounts falling due within one year	16	3	–	1,396	1,885	1,205
Short term investments	17	–	–	11	42	1,132
Cash at bank and in hand	17	–	–	173	231	141
		6	–	3,368	4,255	3,635
<b>Creditors: amounts falling due within one year</b>	18	(6)	(5)	(1,729)	(1,834)	(1,177)
<b>Net current (liabilities)/assets</b>		–	(5)	1,639	2,421	2,458
<b>Total assets less current liabilities</b>		3,208	3,154	5,389	6,564	5,802
Convertible bonds		–	–	(109)	(115)	–
Other borrowings		(86)	–	(1,503)	(1,651)	(1,036)
Other creditors		(375)	(433)	(34)	(71)	(27)
<b>Creditors: amounts falling due after more than one year</b>	19	(461)	(433)	(1,646)	(1,837)	(1,063)
<b>Provisions for liabilities and charges</b>	24	–	–	(576)	(795)	(467)
<b>Accruals and deferred income</b>		–	–	(46)	(57)	(46)
Regional development and other grants		–	–	(46)	(57)	(46)
		2,747	2,721	3,121	3,875	4,226
<b>Capital and reserves</b>						
Called up share capital	25	1,564	1,561	1,564	1,561	991
Share premium account	26	5	5	5	5	–
Statutory reserve	26	–	–	2,338	2,338	2,338
Other reserves	26	796	796	201	201	99
Profit and loss account	26	382	359	(1,047)	(610)	495
Shareholders' funds – equity interests	26	2,747	2,721	3,061	3,495	3,923
<b>Minority interests</b>		–	–	60	380	303
Equity interests in subsidiary undertakings		–	–	60	380	303
		2,747	2,721	3,121	3,875	4,226

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D M Lloyd  
18 March 2002

Notes and related statements forming part of these accounts appear on pages 43 to 77.

# Statement of total recognised gains and losses

For the financial period ended 29 December 2001	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	Restated 6 months to 2 Oct 1999	Restated 12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Loss for financial period	<b>(419)</b>	(1,042)	(940)	(102)	(144)	(49)
Exchange translation differences on foreign currency net investments:						
Group	<b>(58)</b>	(27)	14	(41)	(11)	8
Joint ventures and associated undertakings	-	(5)	(4)	(1)	1	(2)
Total recognised losses relating to the period	<b>(477)</b>	(1,074)	(930)	(144)	(154)	(43)
Prior year adjustment	<b>55</b>					
Total losses recognised since last Report & Accounts	<b>(422)</b>					

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 29 December 2001	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
Shareholders' funds at beginning of period	<b>3,440</b>	4,174	4,346
Accounting policy change (see Presentation of accounts and accounting policies Note VIII)	<b>55</b>	(251)	(270)
Shareholders' funds at beginning of period restated	<b>3,495</b>	3,923	4,076
Loss for the period	<b>(419)</b>	(1,042)	(144)
Dividends	-	(31)	-
Exchange translation differences on foreign currency net investments	<b>(58)</b>	(32)	(10)
Transfer of goodwill (Note 33)	<b>40</b>	-	-
New shares issued	<b>3</b>	1,371	1
Cash and loan notes to shareholders	-	(694)	-
Shareholders' funds at end of period	<b>3,061</b>	3,495	3,923

Notes and related statements forming part of these accounts appear on pages 43 to 77.

# Consolidated cash flow statement

For the financial period ended 29 December 2001	Note	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	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m
<b>Net cash inflow/(outflow) from operating activities</b>	30	<b>172</b>	100	316	(216)	(100)	437
<b>Dividends from joint ventures and associated undertakings</b>		<b>9</b>	6	5	1	12	12
<b>Returns on investments and servicing of finance</b>							
Interest and other dividends received		16	45	33	12	52	97
Interest paid		(124)	(132)	(127)	(5)	(35)	(57)
Interest element of finance lease rental payments		(2)	(6)	(4)	(2)	(2)	(6)
Dividends paid to minority shareholders in subsidiary undertakings		–	(19)	(19)	–	–	(7)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<b>(110)</b>	(112)	(117)	5	15	27
<b>Taxation</b>							
UK corporation tax received/(paid)		5	57	71	(14)	(14)	(48)
Overseas tax received/(paid)		8	(14)	(29)	15	(2)	(12)
<b>Tax received/(paid)</b>		<b>13</b>	43	42	1	(16)	(60)
<b>Capital expenditure and financial investment</b>							
Purchase of tangible fixed assets		(167)	(410)	(320)	(90)	(67)	(248)
Sale of tangible fixed assets		37	44	32	12	11	24
Purchase of other fixed asset investments		(3)	–	–	–	–	–
Sale of other fixed asset investments		–	76	73	3	1	49
Loans to joint ventures and associated undertakings		–	(6)	(4)	(2)	(5)	(6)
Repayment of loans		3	5	3	2	2	2
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(130)</b>	(291)	(216)	(75)	(58)	(179)
<b>Acquisitions and disposals</b>							
Purchase of subsidiary undertakings and businesses		–	(286)	(106)	(180)	(32)	(1)
Net cash acquired with subsidiary undertakings and businesses		–	41	20	21	(6)	1
Investments in joint ventures and associated undertakings		(12)	(18)	(17)	(1)	–	(7)
Sale and exchange of businesses and subsidiary undertakings		52	4	2	2	9	1
Sale of joint ventures and associated undertakings		9	–	–	–	2	–
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		<b>49</b>	(259)	(101)	(158)	(27)	(6)
<b>Equity dividends paid to shareholders</b>		–	(31)	(31)	–	(138)	(201)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		<b>3</b>	(544)	(102)	(442)	(312)	30
<b>Management of liquid resources</b>							
Net sale/(purchase) of short term investments		27	1,091	67	1,024	69	(159)
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>27</b>	1,091	67	1,024	69	(159)
<b>Financing</b>							
Amount applied on account of allotment of shares		–	–	–	–	–	(15)
Issue of ordinary shares		–	11	11	–	1	18
Cash to shareholders		–	(689)	(3)	(686)	–	–
Share issue expenses		–	(6)	–	(6)	–	–
Cash (outflow)/inflow from issue of ordinary shares		–	(684)	8	(692)	1	3
New loans		282	339	226	113	292	198
Repayment of borrowings		(333)	(101)	(29)	(72)	(63)	(59)
Capital element of finance lease rental payment		(9)	(23)	(21)	(2)	(4)	(8)
(Decrease)/increase in debt		(60)	215	176	39	225	131
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(60)</b>	(469)	184	(653)	226	134
<b>(Decrease)/increase in cash in period</b>		<b>(30)</b>	78	149	(71)	(17)	5

Notes and related statements forming part of these accounts appear on pages 43 to 77.

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

For the financial period ended 29 December 2001	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
(Decrease)/increase in cash	(30)	78	149	(71)	(17)	5
(Decrease)/increase in liquid resources	(27)	(1,091)	(67)	(1,024)	(69)	159
Decrease/(increase) in debt	60	(215)	(176)	(39)	(225)	(131)
Change in net funds resulting from cash flows in period	3	(1,228)	(94)	(1,134)	(311)	33
Debt and liquid resources exchanged/(acquired)/disposed of	103	(621)	(20)	(601)	3	–
Effect of foreign exchange rate changes	10	12	(4)	16	6	(16)
Movement in net funds in period	116	(1,837)	(118)	(1,719)	(302)	17
Net (debt)/funds at beginning of period	(1,676)	161	(1,558)	161	463	446
Net (debt)/funds at end of period	(1,560)	(1,676)	(1,676)	(1,558)	161	463

## Analysis of net borrowings

	2 Oct 1999 £m	Acquisitions (excluding cash and overdrafts) £m	Cash flow £m	Exchange rate changes £m	30 Dec 2000 £m	Deconsolidation of Avesta Sheffield AB (as per Note 33) (excluding cash and overdrafts) £m	Cash flow £m	Other changes £m	Exchange rate changes £m	29 Dec 2001 £m
Cash at bank and in hand	141	–	84	6	231	–	(61)	–	3	173
Bank overdrafts	(53)	–	(6)	1	(58)	–	31	–	–	(27)
<b>Increase/(decrease) in cash</b>		–	78			–	(30)	–		
Short term investments:										
Deposits within 3 months of maturity										
when acquired	1,129	–	(1,090)	1	40	(4)	(33)	–	1	4
Other short term deposits	3	–	(1)	–	2	–	6	–	(1)	7
<b>Decrease in liquid resources</b>		–	(1,091)			(4)	(27)	–		
Long term borrowings	(998)	(472)	(265)	3	(1,732)	103	(35)	70	8	(1,586)
Other loans	(16)	(130)	27	–	(119)	2	86	(70)	–	(101)
Obligations under finance leases	(45)	(19)	23	1	(40)	2	9	–	(1)	(30)
<b>(Increase)/decrease in debt</b>		(621)	(215)			107	60	–		
	161	(621)	(1,228)	12	(1,676)	103	3	–	10	(1,560)

Notes and related statements forming part of these accounts appear on pages 43 to 77.

# Presentation of accounts and accounting policies

## I Basis of preparation

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 except as noted in VIII 'Deferred taxation' below.

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

The costs of rationalisation and related measures 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

From 1 Jan 2001 the Group has adopted FRS 19 'Deferred tax', which requires full provision to be made 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. In adopting FRS 19, the Group has chosen to discount deferred tax assets and liabilities. The comparative figures for all prior periods have been restated to reflect the impact of FRS 19. This change of accounting policy also affected amounts included in respect of subsidiary goodwill and minority interests. The prior period impact of adopting FRS 19 is shown below, but it is not considered practical to show the impact of this accounting policy change on the current year results.

	15 months 30 Dec 2000 £m	6 months 2 Oct 1999 £m
Profit and loss account:		
Reduction of loss for the period	307	19
Other recognised gains and losses:		
Exchange translation difference	(1)	–
Total recognised gains	306	19
Balance sheet:		
Total opening adjustment	(251)	(270)
Total recognised gains	306	19
Impact on shareholders' funds	55	(251)

## 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
I.T. 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 is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant unit.

### **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 19 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 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
United Kingdom turnover	45	55	42	13	13	51
Other European turnover	177	305	232	73	44	111
North America turnover	3	95	68	27	24	34
<b>Total turnover</b>	<b>225</b>	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>

	Group turnover					
	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
United Kingdom gross turnover	3,573	5,444	4,439	1,005	2,017	4,709
Less: inter-segment turnover	(323)	(825)	(686)	(139)	(275)	(589)
	<b>3,250</b>	<b>4,619</b>	<b>3,753</b>	<b>866</b>	<b>1,742</b>	<b>4,120</b>
Other European gross turnover	3,703	5,825	4,728	1,097	645	1,485
Less: inter-segment turnover	(169)	(366)	(296)	(70)	(56)	(111)
	<b>3,534</b>	<b>5,459</b>	<b>4,432</b>	<b>1,027</b>	<b>589</b>	<b>1,374</b>
North America gross turnover	723	1,315	1,060	255	292	616
Less: inter-segment turnover	(53)	(71)	(55)	(16)	-	(2)
	<b>670</b>	<b>1,244</b>	<b>1,005</b>	<b>239</b>	<b>292</b>	<b>614</b>
Other areas	245	376	319	57	86	151
<b>Total turnover</b>	<b>7,699</b>	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>

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

	Joint venture turnover					
	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
United Kingdom	42	48	35	13	12	51
European Union (excluding UK)	108	133	109	24	17	42
Europe (excluding EU)	72	179	130	49	28	69
North America	3	95	68	27	24	34
<b>Total</b>	<b>225</b>	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>

	Group turnover					
	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
United Kingdom	2,291	3,274	2,635	639	1,119	2,663
European Union (excluding UK)	3,539	5,477	4,469	1,008	967	2,237
Europe (excluding EU)	360	541	455	86	118	295
North America	889	1,647	1,328	319	327	657
South America	63	79	65	14	17	35
Africa	104	103	75	28	17	53
Asia	426	512	434	78	126	282
Australasia	27	65	48	17	18	37
	<b>7,699</b>	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>
Included above:						
Exports from the United Kingdom	1,384	2,338	1,929	409	855	1,985
Sales to joint ventures and associated undertakings	137	187	149	38	63	121

## 1. Segmental analysis continued

### Business segment analysis of turnover is set out below:

	Joint venture turnover					
	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Carbon steel	217	390	292	98	66	158
Stainless steel	8	65	50	15	15	38
<b>Total</b>	<b>225</b>	<b>455</b>	<b>342</b>	<b>113</b>	<b>81</b>	<b>196</b>

	Group turnover					
	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Carbon steel	6,534	8,725	7,016	1,709	2,176	5,043
Stainless steel	80	1,746	1,467	279	533	1,216
Aluminium	1,085	1,227	1,026	201	–	–
<b>Total</b>	<b>7,699</b>	<b>11,698</b>	<b>9,509</b>	<b>2,189</b>	<b>2,709</b>	<b>6,259</b>

Turnover in the stainless steel segment relates entirely to sales of the subsidiary Avesta Sheffield AB, and the Group's share of the sales of its joint ventures. As discussed in Note 33, Avesta Sheffield AB was only a subsidiary of the Group until 22 Jan 2001. As an associate, turnover of the newly formed AvestaPolarit Oyj Abp is not included in the analysis above.

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

	Loss on ordinary activities before interest					
	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Group:						
Carbon steel	(446)	(1,415)	(1,265)	(150)	(199)	(86)
Stainless steel	3	150	138	12	10	(88)
Aluminium	58	109	94	15	–	–
Group operating loss	(385)	(1,156)	(1,033)	(123)	(189)	(174)
Share of operating results of joint ventures and associated undertakings:						
Carbon steel	10	–	1	(1)	1	(1)
Stainless steel	2	–	1	(1)	(1)	(2)
Total operating loss	(373)	(1,156)	(1,031)	(125)	(189)	(177)
Profit on sale of fixed assets	17	5	2	3	9	7
Profit on disposal of businesses, subsidiaries and associated undertakings	2	–	–	–	1	1
<b>Loss on ordinary activities before interest</b>	<b>(354)</b>	<b>(1,151)</b>	<b>(1,029)</b>	<b>(122)</b>	<b>(179)</b>	<b>(169)</b>

Until 22 Jan 2001, 100% of the operating result of Avesta Sheffield AB was included in the stainless segment of the Group operating loss. From that date 23% of the results of AvestaPolarit Oyj Abp are shown in the share of operating results of associated undertakings.

All profits on the sale of fixed assets and disposal of businesses, subsidiaries and associated undertakings relate to carbon steel activities. The directors consider that 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 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Group:						
United Kingdom	(408)	(1,287)	(1,166)	(121)	(192)	(105)
Other European	41	257	262	(5)	10	(15)
North America	(22)	(135)	(137)	2	(7)	(53)
Other areas	4	9	8	1	-	(1)
Group operating loss	(385)	(1,156)	(1,033)	(123)	(189)	(174)
Share of operating results of joint ventures and associated undertakings:						
United Kingdom	5	5	4	1	2	9
Other European	5	1	4	(3)	-	1
North America	2	(6)	(6)	-	(2)	(13)
Total operating loss	(373)	(1,156)	(1,031)	(125)	(189)	(177)
Profit on sale of fixed assets	17	5	2	3	9	7
Profit on disposal of businesses, subsidiaries and associated undertakings	2	-	-	-	1	1
Loss on ordinary activities before interest	(354)	(1,151)	(1,029)	(122)	(179)	(169)

All profits on the sale of fixed assets and disposal of businesses, subsidiaries and associated undertakings relate to the United Kingdom.

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

	Tangible fixed assets			Net assets		
	29 Dec 2001	30 Dec 2000	2 Oct 1999	29 Dec 2001	Restated 30 Dec 2000	Restated 2 Oct 1999
	£m	£m	£m	£m	£m	£m
Company and subsidiary undertakings:						
United Kingdom	1,436	1,701	2,502	2,095	2,513	3,143
Other European	1,338	1,632	386	1,776	2,501	570
North America	278	340	225	313	333	267
Other areas	12	90	3	11	51	6
	3,064	3,763	3,116	4,195	5,398	3,986
Joint ventures and associated undertakings:						
United Kingdom				20	18	23
Other European				414	77	23
North America				50	56	33
Other areas				2	2	-
				486	153	79
				4,681	5,551	4,065
Net (debt)/funds				(1,560)	(1,676)	161
				3,121	3,875	4,226

## 1. Segmental analysis continued

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

	Tangible fixed assets			Net assets		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
Company and subsidiary undertakings:						
Carbon steel	<b>2,707</b>	2,971	2,716	<b>3,727</b>	4,124	3,359
Stainless steel	–	414	400	–	765	627
Aluminium	<b>357</b>	378	–	<b>468</b>	509	–
	<b>3,064</b>	3,763	3,116	<b>4,195</b>	5,398	3,986
Joint ventures and associated undertakings:						
Carbon steel				<b>92</b>	86	64
Stainless steel				<b>348</b>	13	15
Aluminium				<b>46</b>	54	–
				<b>486</b>	153	79
				<b>4,681</b>	5,551	4,065
Net (debt)/funds				<b>(1,560)</b>	(1,676)	161
				<b>3,121</b>	3,875	4,226

The directors consider that net (debt)/funds are managed centrally for the Group as a whole and so are not directly attributable to individual business segments.

## 2. Operating costs

	12 months to 29 Dec 2001 £m	Restated 15 months to 30 Dec 2000 £m	Restated 12 months to 30 Dec 2000 unaudited £m	Restated 3 months to 1 Jan 2000 unaudited £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m
Costs by type:						
Raw materials and consumables	<b>3,539</b>	5,153	4,270	883	1,236	2,667
Maintenance costs (excluding own labour)	<b>706</b>	1,060	832	228	258	530
Other external charges (including fuels and utilities, hire charges and carriage costs)	<b>1,272</b>	1,795	1,453	342	483	1,022
Employment costs (Note 4)	<b>1,633</b>	2,606	2,135	471	612	1,352
Depreciation (and other amounts written off intangible fixed assets)	<b>386</b>	1,178	1,060	118	150	313
Regional development and other grants released	<b>(10)</b>	(17)	(14)	(3)	(4)	(9)
Other operating costs	<b>543</b>	1,004	849	155	213	376
Changes in stock of finished goods and work in progress	<b>61</b>	110	(15)	125	(48)	190
Own work capitalised	<b>(46)</b>	(35)	(28)	(7)	(2)	(8)
	<b>8,084</b>	12,854	10,542	2,312	2,898	6,433
Costs by function:						
Costs of goods sold	<b>7,327</b>	10,813	8,712	2,101	2,642	5,884
Selling, general and administrative expenses	<b>749</b>	1,008	812	196	244	464
Exceptional items (Note 3)	<b>8</b>	1,033	1,018	15	12	85
	<b>8,084</b>	12,854	10,542	2,312	2,898	6,433

**2. Operating costs** continued

	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
The above costs are stated after including:						
Purchases from joint ventures and associated undertakings	25	13	12	1	22	50
Amortisation of intangible fixed assets	12	12	10	2	–	–
Depreciation of owned assets (including accelerated depreciation)	372	1,160	1,046	114	146	305
Depreciation of assets held under finance leases	2	6	4	2	4	8
Operating leases:						
Plant and machinery	50	61	54	7	18	36
Leasehold property	22	49	40	9	11	24
Costs of research and development (gross)	66	113	93	20	22	49
Recoveries on research and development	(6)	(7)	(6)	(1)	(2)	(5)
Provision for doubtful debts	4	19	7	12	2	6
Realised gains on investments held to fund insurance liabilities	–	–	–	–	–	(32)
Reduction in underwriting provisions in Crucible Insurance Company Limited	–	–	–	–	–	(16)
Release of provision for landfill tax	–	–	–	–	–	(2)
Repayment of hydrocarbon oil duty	–	–	–	–	(27)	–
Reduction in EC fine provided in 1993/94	–	–	–	–	(8)	–
Accrual for EC fine (Note 29)	–	–	–	–	8	–
Costs incurred rendering software Year 2000 compliant	–	3	1	2	10	30
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 29 Dec 2001 include:			
Raw materials and consumables	3,539	–	3,539
Maintenance costs (excluding own labour)	706	–	706
Other external charges	1,272	–	1,272
Employment costs (Note 4)	1,642	(9)	1,633
Depreciation (and other amounts written off intangible fixed assets)	381	5	386
Regional development and other grants released	(10)	–	(10)
Other operating costs	531	12	543
Changes in stock of finished goods and work in progress	61	–	61
Own work capitalised	(46)	–	(46)
	8,076	8	8,084

**Remuneration of Group's auditors**

	12 months to 29 Dec 2001 £000	15 months to 30 Dec 2000 £000	6 months to 2 Oct 1999 £000	12 months to 3 Apr 1999 £000
In respect of the audit:				
Corus Group plc	10	15	–	–
Subsidiary undertakings:				
Corus UK Limited	783	928	623	961
Other subsidiary undertakings: Group auditors	1,963	3,074	443	1,852
Other subsidiary undertakings: non-Group auditors	75	2,672	–	–
	2,831	6,689	1,066	2,813
Amounts paid to Group auditors in respect of other work:				
UK	881	3,578	2,271	1,271
Overseas	1,152	2,965	1,175	732
	2,033	6,543	3,446	2,003
Total	4,864	13,232	4,512	4,816

During the 12 months to 29 Dec 2001 PricewaterhouseCoopers were appointed as auditors of the whole of Corus Group plc including Corus Nederland BV and its subsidiaries. Amounts paid to Group auditors in respect of other work is largely in respect of tax, financial and accounting advice and not for consultancy work.

### 3. Rationalisation and impairment exceptional items

	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Credits for rationalisation and related measures:						
Redundancy and related costs	(48)	-	-	-	-	-
Other asset write downs	(13)	-	-	-	-	-
	(61)	-	-	-	-	-
Provision for rationalisation and related measures:						
Redundancy and related costs	39	202	194	8	11	64
Accelerated depreciation	5	590	585	5	-	15
Other asset write downs	-	111	111	-	-	-
Other rationalisation costs	25	130	128	2	1	6
	69	1,033	1,018	15	12	85
	8	1,033	1,018	15	12	85

These items are discussed in detail in the Review of the period on page 7.

### 4. Employees

	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
The total employment costs of all employees (including directors) in the Group were:						
Wages and salaries	1,375	2,007	1,618	389	522	1,104
Social security costs	218	269	217	52	60	128
Other pension costs (Note 31)	49	128	106	22	19	56
Redundancy and related costs (Note 3)	(9)	202	194	8	11	64
	1,633	2,606	2,135	471	612	1,352

	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
The average weekly number of employees by business segment on the Group's payroll during the period were:						
Carbon steel	49,400	52,600	52,600	52,600	37,200	39,400
Stainless steel	400	6,400	6,400	6,400	6,500	7,100
Aluminium	5,800	5,700	5,700	5,600	-	-
	55,600	64,700	64,700	64,600	43,700	46,500

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

	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Share of operating results:						
Joint ventures	10	(2)	–	(2)	(1)	(4)
Associated undertakings	14	2	2	–	1	1
Share of exceptional items:						
Associated undertakings	(5)	–	–	–	–	–
Amortisation of goodwill:						
Associated undertakings	(7)	–	–	–	–	–
	12	–	2	(2)	–	(3)
Net interest:						
Interest receivable: Joint ventures	–	1	1	–	–	1
Interest payable: Joint ventures	(2)	(7)	(7)	–	(2)	(4)
Interest payable: Associated undertakings	(3)	–	–	–	–	–
Share of results before taxation	7	(6)	(4)	(2)	(2)	(6)
Taxation (Note 7)	(5)	(2)	(2)	–	(1)	(4)
Share of results after taxation	2	(8)	(6)	(2)	(3)	(10)
Receivable in dividends:						
Subsidiary undertakings	(11)	(8)	(7)	(1)	(11)	(8)
Retained	(9)	(16)	(13)	(3)	(14)	(18)

## 6. Net interest and investment income

	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	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Dividends from other fixed asset investments	–	1	1	–	–	4
Interest receivable	15	39	29	10	46	92
	15	40	30	10	46	96
Less: Interest payable:						
Bank loans and overdrafts	35	28	24	4	9	32
Other interest payable	81	126	103	23	21	30
	116	154	127	27	30	62
Finance leases	2	4	3	1	2	4
	118	158	130	28	32	66
Net interest and investment income	(103)	(118)	(100)	(18)	14	30

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

Returns on investments held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij NV (Note 13(ii)), including dividends and realised gains and losses amounting to £3m (15 months to 30 Dec 2000: profit of £11m; 6 months to 2 Oct 1999: loss of £2m; 12 months to 3 Apr 1999: profit of £48m) have not been included above as the income has been taken into account in the assessment of the underwriting results and liabilities of those companies, being in respect of Group insurance costs and arrangements.

## 7. Taxation

	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	Restated 6 months to 2 Oct 1999	Restated 12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Taxation based on loss on ordinary activities for the period:						
The Group:						
UK corporation tax at 30% (12 months to 3 Apr 1999: 31%)	25	6	6	–	1	3
Double tax relief	(25)	(5)	(5)	–	(1)	(14)
Prior year credit	(6)	(27)	(27)	–	–	(6)
ACT written off	–	–	–	–	–	3
Overseas taxes	28	31	50	(19)	4	6
Current tax	22	5	24	(19)	4	(8)
Origination and reversal of timing differences	(81)	(417)	(376)	(41)	(37)	(34)
Increase in discount	23	70	65	5	3	3
UK deferred tax	(58)	(347)	(311)	(36)	(34)	(31)
Origination and reversal of timing differences	(17)	57	42	15	2	(34)
Increase/(decrease) in discount	5	(3)	(3)	–	–	–
Overseas deferred tax	(12)	54	39	15	2	(34)
	(48)	(288)	(248)	(40)	(28)	(73)
Joint ventures (Note 5)	3	1	1	–	1	4
Associated undertakings (Note 5)	2	1	1	–	–	–
	(43)	(286)	(246)	(40)	(27)	(69)

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% (12 months to 3 Apr 1999: 31%)	(141)	(381)	(339)	(42)	(50)	(44)
Temporary differences between taxable and accounting profit:						
Accelerated capital allowances	(5)	120	111	9	5	10
Other timing differences	95	217	201	16	37	28
ACT written off	–	–	–	–	–	3
Prior year credit	(6)	(27)	(27)	–	–	(6)
Permanent differences	79	76	78	(2)	12	1
	22	5	24	(19)	4	(8)

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

## 8. Result of the Company

Of the Group loss after taxation, a profit of £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 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
On ordinary shares:						
Interim dividend of nil (15 months to 30 Dec 2000: 1p; 12 months to 3 Apr 1999: 3p) per share	–	31	31	–	–	62
Proposed final dividend of nil (12 months to 3 Apr 1999: 7p) per share	–	–	–	–	–	139
	–	31	31	–	–	201

## 10. Earnings per ordinary share

Basic loss per ordinary share has been calculated by dividing the loss attributable to shareholders of £419m (30 Dec 2000 restated: loss £1,042m; 2 Oct 1999 restated: loss £144m; 3 Apr 1999 restated: loss £49m) by 3,122m (30 Dec 2000: 3,110m; 2 Oct 1999: 1,982m; 3 Apr 1999: 1,980m) ordinary shares being the weighted average number of shares outstanding during the period.

The trustee of the Qualifying Employee Share Ownership Trust (QUEST) has waived all but a nominal amount of the dividend on the trust's holding of shares in the Company, and these shares are therefore not included in the calculation of earnings per ordinary share.

For the purpose of calculating diluted loss per share, the weighted average number of shares outstanding has been adjusted for the dilutive effects of options outstanding and the potential conversion of the Corus Nederland BV 4.625% bonds (see Note 25). This increases the weighted average number of shares used in the calculation by 120m (30 Dec 2000: 100m; 2 Oct 1999: 16m; 3 Apr 1999: 3m). The loss attributable to shareholders would be reduced by £3m (30 Dec 2000: £4m).

On 11 Jan 2002 Corus Group plc issued €307m 3% guaranteed convertible unsubordinated bonds (see Note 20) the future conversion of which will have a dilutive effect on earnings per ordinary share.

## 11. Intangible fixed assets

	The Group		
	Patents and trademarks £m	Goodwill £m	Total £m
<b>Cost at beginning of period – as previously stated</b>	4	106	<b>110</b>
Accounting policy change	–	54	<b>54</b>
<b>Cost at beginning of period – restated</b>	4	160	<b>164</b>
Additions	–	2	<b>2</b>
Deconsolidation of Avesta Sheffield AB (Note 33)	–	(8)	<b>(8)</b>
<b>Cost at end of period</b>	4	154	<b>158</b>
<b>Amortisation at beginning of period – as previously stated</b>	1	7	<b>8</b>
Accounting policy change	–	4	<b>4</b>
<b>Amortisation at beginning of period – restated</b>	1	11	<b>12</b>
Charge for the period	1	11	<b>12</b>
Deconsolidation of Avesta Sheffield AB (Note 33)	–	(1)	<b>(1)</b>
<b>Amortisation at end of period</b>	2	21	<b>23</b>
<b>Net book value at 29 Dec 2001</b>	2	133	<b>135</b>
Net book value at 30 Dec 2000 – restated	3	149	152
Cost and net book value at 2 Oct 1999	–	10	10

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	
<b>Cost at beginning of period</b>	1,284	7,798	256	<b>9,338</b>
Additions	7	64	95	<b>166</b>
Disposals	(12)	(137)	(1)	<b>(150)</b>
Deconsolidation of Avesta Sheffield AB (Note 33)	(154)	(723)	(37)	<b>(914)</b>
Exchange translation differences	(13)	(36)	(6)	<b>(55)</b>
Transfers and other movements	15	159	(174)	<b>-</b>
<b>Cost at end of period</b>	<b>1,127</b>	<b>7,125</b>	<b>133</b>	<b>8,385</b>
<b>Depreciation at beginning of period</b>	655	5,195	-	<b>5,850</b>
Charge for period	42	327	-	<b>369</b>
Accelerated depreciation (Note 3)	-	5	-	<b>5</b>
Disposals	(3)	(127)	-	<b>(130)</b>
Deconsolidation of Avesta Sheffield AB (Note 33)	(97)	(409)	-	<b>(506)</b>
Exchange translation differences	1	(8)	-	<b>(7)</b>
Transfers and other movements	1	(1)	-	<b>-</b>
<b>Depreciation at end of period</b>	<b>599</b>	<b>4,982</b>	<b>-</b>	<b>5,581</b>
<b>Net book value at 29 Dec 2001</b>	<b>528</b>	<b>2,143</b>	<b>133</b>	<b>2,804</b>
Loose plant, tools and spares (net book value)				<b>260</b>
				<b>3,064</b>
Net book value at 30 Dec 2000	629	2,603	256	3,488
Loose plant, tools and spares (net book value)				275
				3,763
Cost at 2 Oct 1999	917	6,525	116	7,558
Depreciation at 2 Oct 1999	601	4,171	-	4,772
Net book value at 2 Oct 1999	316	2,354	116	2,786
Loose plant, tools and spares (net book value)				330
				3,116

- (i) Included above are fully depreciated assets with an original cost of £1,855m (30 Dec 2000: £1,450m; 2 Oct 1999: £1,492m) which are still in use. In addition, there are fully depreciated assets with an original cost of £306m (30 Dec 2000: £163m; 2 Oct 1999: £124m) which are permanently out of use and pending disposal, demolition or reapplication elsewhere in the business.

	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
(ii) The net book value of land and buildings comprises:			
Freehold	517	616	304
Long leasehold (over 50 years unexpired)	9	12	11
Short leasehold	2	1	1
	<b>528</b>	<b>629</b>	<b>316</b>
(iii) The net book value of plant and machinery comprises:			
Assets held under finance leases:			
Cost	123	145	155
Accumulated depreciation	(111)	(109)	(120)
	<b>12</b>	<b>36</b>	<b>35</b>
Owned assets	<b>2,131</b>	<b>2,567</b>	<b>2,319</b>
	<b>2,143</b>	<b>2,603</b>	<b>2,354</b>
(iv) The net book value of loose plant, tools and spares comprises:			
Cost	603	638	618
Provisions	(343)	(363)	(288)
	<b>260</b>	<b>275</b>	<b>330</b>

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	
<b>Cost at beginning of period</b>	3,159	–	<b>3,159</b>
Additions	–	49	<b>49</b>
<b>Cost and net book value at 29 Dec 2001</b>	<b>3,159</b>	<b>49</b>	<b>3,208</b>

	The Group				Total £m
	Interests in joint ventures and associated undertakings £m	Loans to joint ventures and associated undertakings £m	Other investments £m	Other loans £m	
<b>Cost at beginning of period</b>	230	34	47	12	<b>323</b>
Additions and transfers	269	–	3	–	<b>272</b>
Disposals	(14)	(3)	(6)	(2)	<b>(25)</b>
Exchange translation differences	(16)	–	(2)	–	<b>(18)</b>
<b>Cost at 29 Dec 2001</b>	<b>469</b>	<b>31</b>	<b>42</b>	<b>10</b>	<b>552</b>
<b>Goodwill at beginning of period</b>	–	–	–	–	<b>–</b>
Additions and transfers	100	–	–	–	<b>100</b>
Amortisation charge for the period	(7)	–	–	–	<b>(7)</b>
<b>Goodwill at 29 Dec 2001</b>	<b>93</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>93</b>
<b>Share of post acquisition reserves at beginning of period</b>	(47)	–	–	–	<b>(47)</b>
Share of results in period retained	(2)	–	–	–	<b>(2)</b>
Disposals	1	–	–	–	<b>1</b>
<b>Share of post acquisition reserves at end of period</b>	<b>(48)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(48)</b>
<b>Provisions at beginning of period</b>	30	18	–	–	<b>48</b>
Disposals	(2)	–	–	–	<b>(2)</b>
<b>Provisions at 29 Dec 2001</b>	<b>28</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>46</b>
<b>Net book value at 29 Dec 2001</b>	<b>486</b>	<b>13</b>	<b>42</b>	<b>10</b>	<b>551</b>
Net book value at 30 Dec 2000	153	16	47	12	228
Cost at 2 Oct 1999	105	11	123	5	244
Share of post acquisition reserves at 2 Oct 1999	(22)	–	–	–	(22)
Provisions at 2 Oct 1999	(4)	–	–	–	(4)
Net book value at 2 Oct 1999	79	11	123	5	218

- (i) As indicated in Note 33, £100m of goodwill arose on AvestaPolarit Oyj Abp becoming an associated undertaking. This goodwill is being amortised over a period of 15 years. This is the period over which the directors estimate the value of returns from the investment to exceed its underlying value.
- (ii) Other investments above amounting to £42m (30 Dec 2000: £40m; 2 Oct 1999: £116m) are held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschaapij NV to fund insurance liabilities of the Group. Of this amount £11m (30 Dec 2000: £14m; 2 Oct 1999: £50m) relates to UK listed investments, market value £11m (30 Dec 2000: £14m; 2 Oct 1999: £50m) and £25m (30 Dec 2000: £19m; 2 Oct 1999: £49m) is listed overseas, market value £25m (30 Dec 2000: £18m; 2 Oct 1999: £49m).
- (iii) Other investments have contractual maturities within one year of £2m between two and five years of £21m and greater than five years of £18m. The remaining investments do not have contractual maturity dates. £40m of other investments have fixed interest rates, where the rate ranges from 1.6% to 9.5%.
- (iv) The Group owns 22,832 of its own shares (nominal value: £11,416; market value: £16,896) that are held in a QUEST to satisfy future exercise of options under the Corus Sharesave Scheme.
- (v) The Company's main subsidiaries and investments are listed in Note 36.
- (vi) Shares of the Company are held in the Employee Share Ownership Plan Trust (see Note 25) on behalf of employees of the Group. Shares appropriated under the Free Element are subject to forfeiture for a period of three years from the date of appropriation. Shares appropriated under the Partnership Element of the Employee Share Ownership Plan are not subject to forfeiture. At 29 Dec 2001, there were 402,135 (nominal value: £201,068; market value: £297,580) partnership shares held as a fixed asset investment.

## 14. Stocks

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Raw materials and consumables	502	557	267
Work in progress	375	505	373
Finished goods and goods for resale	443	657	421
	<b>1,320</b>	<b>1,719</b>	<b>1,061</b>

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

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
Deferred tax assets	3	–	177	105	–
Prepaid pension costs (Note 31)	–	–	291	273	96
	<b>3</b>	<b>–</b>	<b>468</b>	<b>378</b>	<b>96</b>

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
The movement on the deferred tax assets is as follows:					
At beginning of period	–	–	105	–	–
Profit and loss account	3	–	59	105	–
Reclassifications from provisions (Note 24)	–	–	13	–	–
At end of period	<b>3</b>	<b>–</b>	<b>177</b>	<b>105</b>	<b>–</b>

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
The deferred tax assets are made up as follows:					
Pension prepayment	–	–	(26)	(29)	–
Accelerated capital allowances	–	–	(213)	(228)	–
Tax losses	3	–	338	226	–
Other timing differences	–	–	81	117	–
	<b>3</b>	<b>–</b>	<b>180</b>	<b>86</b>	<b>–</b>
Discount	–	–	(3)	19	–
	<b>3</b>	<b>–</b>	<b>177</b>	<b>105</b>	<b>–</b>

The deferred tax assets of £177m (30 Dec 2000: £105m; 2 Oct 1999: £nil) 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 £624m (30 Dec 2000: £336m). These include UK losses of £203m.

**16. Debtors: amounts falling due within one year**

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
Trade debtors	–	–	<b>1,191</b>	1,699	1,021
Less allowances for doubtful debts	–	–	<b>(48)</b>	(70)	(37)
	–	–	<b>1,143</b>	1,629	984
Amounts owed by joint ventures	–	–	<b>11</b>	38	17
Amounts owed by associated undertakings	–	–	<b>9</b>	–	1
UK corporation tax	–	–	<b>3</b>	14	70
Overseas taxation	–	–	<b>57</b>	40	–
Other debtors	<b>3</b>	–	<b>173</b>	164	133
	<b>3</b>	–	<b>1,396</b>	1,885	1,205

**17. Short term investments and Cash at bank and in hand**

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Deposits within 3 months of maturity when acquired	<b>4</b>	40	1,129
Other short term deposits	<b>7</b>	2	3
	<b>11</b>	42	1,132
An analysis of short term deposits by currency is set out below:			
Sterling	<b>1</b>	–	905
US Dollars	<b>3</b>	11	36
Euros	<b>7</b>	27	179
Swedish Kronor	–	4	3
Canadian Dollars	–	–	5
Others	–	–	4
	<b>11</b>	42	1,132

Deposits are for periods not exceeding one year and the average weighted interest rate was 4.0% (30 Dec 2000: 4.9%; 2 Oct 1999: 4.7%).

Cash at bank and in hand is denominated in Sterling: £85m (30 Dec 2000: £53m), US Dollars: £16m (30 Dec 2000: £24m), Euros: £37m (30 Dec 2000: £101m), Swedish Kronor: £6m (30 Dec 2000: £24m) and other currencies: £29m (30 Dec 2000: £29m). During the period this money earned interest at a floating rate based on LIBOR or at official local rates.

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

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
Bank overdrafts (Note 20)	–	–	27	58	53
7% Debenture stock 2002 (Note 20)	–	–	70	–	–
Other loans (Note 20)	4	5	31	119	16
Obligations under finance leases (Note 20)	–	–	4	6	7
Trade creditors	–	–	1,052	1,086	755
Amounts owed to joint ventures	–	–	2	6	5
Amounts owed to associated undertakings	–	–	2	1	1
Dividends payable to shareholders	–	–	–	–	2
UK corporation tax	–	–	–	1	2
Overseas taxes	–	–	108	73	6
Other taxation and social security	–	–	96	60	46
Other creditors	2	–	337	424	284
	<b>6</b>	<b>5</b>	<b>1,729</b>	<b>1,834</b>	<b>1,177</b>

Loans of £487m (30 Dec 2000: £537m; 2 Oct 1999: £310m) 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 3.0% and 7.2% on those loans during the year.

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

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

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Borrowings (Note 20):					
7% Debenture stock 2002	–	–	–	73	–
6.75% Debenture stock 2004	–	–	57	60	–
5.375% Eurobond 2006	–	–	242	249	256
4.625% Subordinated convertible debenture loan 2007 (Note 25)	–	–	109	115	–
5.625% Debenture stock 2008	–	–	82	84	–
6.75% Bonds 2008	–	–	198	198	198
11.5% Debenture stock 2016	–	–	150	150	150
Bank and other loans	86	–	748	803	394
Obligations under finance leases	–	–	26	34	38
	<b>86</b>	<b>–</b>	<b>1,612</b>	<b>1,766</b>	<b>1,036</b>
Amounts owed to subsidiary undertakings	375	433	–	–	–
Other creditors	–	–	34	71	27
	<b>461</b>	<b>433</b>	<b>1,646</b>	<b>1,837</b>	<b>1,063</b>

Amounts owed to subsidiary undertakings represent loans with no fixed repayment date. Other creditors are denominated in Sterling: £28m (30 Dec 2000: £26m), Euros: £4m (30 Dec 2000: £37m), US Dollars: £1m (30 Dec 2000: £4m), Swedish Kronor: £nil (30 Dec 2000: £4m) and Singapore Dollars: £1m (30 Dec 2000: £nil); 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 29 Dec 2001 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 29 Dec 2001 £m	Total 30 Dec 2000 £m	Total 2 Oct 1999 £m
Sterling	8.7	9.6	366	325	–	691	580	401
US Dollars	–	–	–	337	–	337	369	399
Euros	5.6	4.3	581	101	15	697	967	269
Swedish Kronor	–	–	–	–	–	–	13	15
Other	5.7	0.1	1	18	–	19	20	28
			948	781	15	1,744	1,949	1,112

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 3.5 years.

The weighted average interest rate on short term borrowings was 6.1% (15 months to 30 Dec 2000: 5.0%; 6 months to 2 Oct 1999: 4.4%).

(ii) The maturity of borrowings is as follows:

	The Company		The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
In one year or less or on demand	4	5	134	185	80
Between one and two years	–	–	13	260	84
Between two and three years	86	–	785	11	12
Between three and four years	–	–	11	636	13
Between four and five years	–	–	246	27	319
More than five years	–	–	561	841	620
	90	5	1,750	1,960	1,128
Less: amounts representing interest in future minimum lease payments	–	–	(6)	(11)	(16)
	90	5	1,744	1,949	1,112
Amounts falling due within one year	4	5	132	183	76
Amounts falling due after more than one year	86	–	1,612	1,766	1,036

(iii) At 29 Dec 2001 the Group had undrawn committed borrowing facilities of £761m (30 Dec 2000: £836m; 2 Oct 1999: £359m) of which £5m (30 Dec 2000: £325m; 2 Oct 1999: £36m) expired in less than one year, £nil (30 Dec 2000: £3m; 2 Oct 1999: £107m) between one and two years and £756m (30 Dec 2000: £508m; 2 Oct 1999: £216m) in more than two years. Total unutilised bank facilities were £1,018m (30 Dec 2000: £1,167m; 2 Oct 1999: £760m). These facilities contained various covenants, the most onerous of which is that the Group gearing ratio (based on net tangible worth) should not exceed 75%.

(iv) On 31 Jan 2001, Corus' €1,500m committed syndicated revolving credit facility was replaced with a new three year €2,400m facility. This new facility also substantially replaced all of the committed bank facilities of Corus Nederland BV. All covenants contained in the facility were consistent with those contained in the previous agreement.

(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 Notes 18 and 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 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 analysis of net assets

The Group's net assets (excluding cash, short term investments and borrowings) by principal currency at 29 Dec 2001 are:

	Net assets by currency of operations £m	Cash and short term investments £m	Gross borrowings £m	Net investment £m
Sterling	2,148	86	(691)	1,543
US Dollars	270	19	(337)	(48)
Euros	2,034	44	(697)	1,381
Swedish Kronor	12	6	-	18
Other	217	29	(19)	227
	4,681	184	(1,744)	3,121

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.

## 22. 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 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:

	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Foreign exchange contracts	915	885	718
Commodity futures and contracts	251	203	15

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 29.

### 23. 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 20. Short term debtors and creditors have been excluded from all financial instruments disclosures.

	Book value 29 Dec 2001 £m	Fair value 29 Dec 2001 £m	Book value 30 Dec 2000 £m	Fair value 30 Dec 2000 £m	Book value 2 Oct 1999 £m	Fair value 2 Oct 1999 £m
Financial assets:						
Cash and short term investments (i) (Note 17)	184	184	273	273	1,273	1,273
Other investments (ii) (Note 13)	42	42	47	47	123	123
Financial liabilities:						
Short term borrowings (i) (Note 18)	(132)	(132)	(183)	(183)	(76)	(76)
Long term borrowings (iii) (Note 19)	(1,612)	(1,522)	(1,766)	(1,692)	(1,036)	(1,100)
Unrecognised financial instruments:						
Forward foreign exchange contracts (iv)	-	(4)	-	4	-	2
Commodity futures (iv)	-	(25)	-	(4)	-	3
	<b>(1,518)</b>	<b>(1,457)</b>	(1,629)	(1,555)	284	225

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 29 Dec 2001, 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) £781m (30 Dec 2000: £973m; 2 Oct 1999: £452m) 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 £963m (30 Dec 2000: £976m; 2 Oct 1999: £660m) 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 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.

	Gains 2001 £m	Losses 2001 £m	Net total 2001 £m	Net total 2000 £m
Unrecognised gains/(losses) on hedges at beginning of period	4	(4)	-	5
(Gains)/losses arising in previous years recognised in current period	(4)	4	-	(5)
Gains arising before start of period not recognised in current period	-	-	-	-
Unrecognised gains arising during current year	-	-	-	4
Unrecognised losses arising during current year	-	(29)	(29)	(4)
Unrecognised losses on hedges at end of period	-	(29)	(29)	-
Losses expected to be recognised in following period	-	(29)	(29)	-

## 24. Provisions for liabilities and charges

	The Group					Total 29 Dec 2001 £m	Restated Total 30 Dec 2000 £m	Restated Total 2 Oct 1999 £m
	Rationalisation costs £m	Deferred tax £m	Insurance (Policy note vii) £m	Pensions (Note 31) £m	Other £m			
<b>At beginning of period – as previously stated</b>	355	72	22	172	52	<b>673</b>	210	253
Accounting policy change	–	122	–	–	–	<b>122</b>	257	276
<b>At beginning of period – restated</b>	355	194	22	172	52	<b>795</b>	467	529
Acquisitions	–	–	–	–	–	–	302	–
Exchange translation differences	–	(5)	–	(4)	(1)	<b>(10)</b>	(4)	(3)
Releases to profit and loss account	(48)	(11)	–	(3)	–	<b>(62)</b>	(188)	(32)
Charges to profit and loss account	64	–	–	11	21	<b>96</b>	368	18
Deconsolidation of								
Avesta Sheffield AB (Note 33)	(10)	(45)	–	(18)	(19)	<b>(92)</b>	–	–
Reclassifications	–	13	–	–	–	<b>13</b>	(3)	–
Utilised in period	(137)	–	(4)	(13)	(10)	<b>(164)</b>	(147)	(45)
<b>At end of period</b>	224	146	18	145	43	<b>576</b>	795	467

- (i) The opening rationalisation provision included £192m (30 Dec 2000: £59m; 2 Oct 1999: £84m) of redundancy provisions. The Group charge for rationalisation includes £39m (30 Dec 2000: £202m; 2 Oct 1999: £11m) of redundancy costs relating to 1,753 (30 Dec 2000: 7,903; 2 Oct 1999: 420) employees across manufacturing, selling, distribution and administration. Surplus provisions of £48m in respect of 1,616 employees and relating to prior year manpower reduction programmes were released during the year. £99m (30 Dec 2000: £87m; 2 Oct 1999: £36m) has been utilised in the period in respect of 4,144 (30 Dec 2000: 3,759; 2 Oct 1999: 1,634) employees. The closing provision includes £80m (30 Dec 2000: £192m; 2 Oct 1999: £59m) of redundancy costs relating to 3,202 (30 Dec 2000: 7,327; 2 Oct 1999: 2,478) employees. Other rationalisation provisions include £10m (30 Dec 2000: £10m; 2 Oct 1999: £11m) for onerous lease payments relating to unutilised premises, £70m (30 Dec 2000: £68m) for environmental clean up costs and £15m (30 Dec 2000: £16m) for contract terminations. Although the precise timing of expenditure in respect of rationalisation provisions including redundancy is not known, the majority is expected to be incurred within two years.

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Deferred tax provided is made up as follows:			
Pension prepayment	52	54	29
Accelerated capital allowances	93	155	450
Tax losses carried forward	(23)	(20)	(95)
Other timing differences	41	27	(33)
Undiscounted provision for deferred tax	163	216	351
Discount	(17)	(22)	(91)
Discounted provision for deferred tax	146	194	260

During the period £13m of the opening balance has been reclassified to deferred tax assets (see Note 15).

- (iii) 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.
- (iv) Other provisions include post retirement benefits and environmental provisions for which the timing of any potential expenditure is uncertain.
- (v) Rationalisation provisions include £10m (30 Dec 2000: £17m) of financial liabilities due within one year, £4m (30 Dec 2000: £1m) in one to two years, £9m (30 Dec 2000: £3m) in two to five years and £2m (30 Dec 2000: £5m) in over five years. These amounts are principally denominated in sterling and bear no interest.

## 25. Share capital

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

	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £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 Oct 1999: 4,400,000,000; 3 Apr 1999: 2,600,000,000)	2,200	2,200	1,300
49,999 redeemable preference shares of £1 each (29 Dec 2001: nil; 30 Dec 2000: nil; 2 Oct 1999: 49,999; 3 Apr 1999: nil)	-	-	-
	<b>2,200</b>	<b>2,200</b>	<b>1,300</b>
Allotted, called up and fully paid:			
(29 Dec 2001: 3,126,779,223; 30 Dec 2000: 3,121,104,265; 2 Oct 1999: 1,982,600,612; 3 Apr 1999: 1,981,757,020)	1,564	1,561	991
49,999 redeemable preference shares of £1 each (29 Dec 2001: nil; 30 Dec 2000: nil; 2 Oct 1999: 49,999; 3 Apr 1999: nil)	-	-	-
	<b>1,564</b>	<b>1,561</b>	<b>991</b>

The predecessor company is Corus UK Limited (formerly British Steel plc). As set out in the Presentation of accounts and accounting policies Note II, the group reconstruction whereby Corus Group plc became the holding company of British Steel plc has been accounted for as a merger. For the purposes of the Group accounts, the figures for 2 Oct 1999 are those of Corus UK Limited.

### Changes to authorised share capital

The Company was incorporated on 16 Jul 1999 with an authorised share capital of £2,200,000,000 comprising 4,400,000,000 ordinary shares of 50p each. On 23 Jul 1999, the authorised share capital was increased to £2,200,049,999 by the creation and issue of 49,999 redeemable preference shares of £1 each. On the redemption of the preference shares on 20 Oct 2000, the nominal amount the preference shares comprised in the authorised share capital of the Company was sub-divided and converted into ordinary shares of 50p each.

### Changes to allotted share capital

#### Ordinary shares

The following issues of ordinary shares of 50p each have taken place:

- (i) In accordance with the terms given in the listing particulars relating to the merger of British Steel plc and Koninklijke Hoogovens NV:
  - (a) Nil (2000: 1,982,600,612) ordinary shares of 50p each were issued in exchange for nil (2000: 1,982,600,612) British Steel ordinary shares of 50p each on a one for one basis. In addition, former shareholders of British Steel were paid £694m in the form of a cash or loan notes distribution of 35p per ordinary share.
  - (b) Nil (2000: 1,127,856,813) ordinary shares of 50p each were issued on surrender of nil (2000: 38,651,707) Hoogovens ordinary shares of NLG20 each. Hoogovens shareholders received 29.18 Corus shares for each Hoogovens share.
  - (c) Nil (2000: 2,930,681) ordinary shares of 50p each were issued on surrender of Hoogovens 4.625% convertible bonds due 2007 with a nominal value of NLGnil (2000: NLG10,144,000). The total consideration received was £nil (2000: £3m).
- (ii) 169,919 (2000: 7,716,157) ordinary shares of 50p each were issued wholly in respect of the exercise of options under the Corus Sharesave Schemes and the Corus UK Executive Share Option Scheme at prices ranging between 51p and 122p (2000: 74p and 138p). The aggregate consideration received in respect of these allotments was £nil (2000: £8m) of which £nil (2000: £4m) represented a premium over the nominal value.
- (iii) 5,505,039 (2000: nil) ordinary shares of 50p each were issued wholly in respect of the award of shares under the Corus Group Employee Share Ownership Plan at prices ranging between 56p and 71p (2000: nil). This represented a notional consideration of £3m (2000: £nil) of which £nil (2000: £nil) represented a premium over the nominal value. No cash was received for these shares as the cost was charged to the profit and loss account in the period.

#### Preference shares

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 the preference shares comprised in the authorised share capital of the Company was sub-divided and converted into ordinary shares of 50p each.

## 25. Share capital continued

### 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. The three schemes were subsequently renamed the Corus UK Sharesave Scheme, the Corus UK Executive Share Option Scheme and the Corus Overseas Executive Share Option Scheme. 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 the Corus Executive Share Option Scheme. Options have been granted under both the Corus Sharesave Scheme and the Corus Executive Share Option Scheme to eligible employees to subscribe for ordinary shares in the Company in accordance with the rules of each Scheme.

Under both the Corus UK Sharesave Scheme and the Corus Sharesave Scheme options are normally exercisable on completion of a three or five year savings contract at the choice of the employee. Options were previously granted under the Corus UK Sharesave Scheme and continue to be granted under the new Corus Sharesave Scheme 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 date of grant.

Under the Corus UK Executive Share Option Scheme, the Corus Overseas Executive Share Option Scheme and the Corus Executive Share Option Scheme options are normally exercisable between the third and tenth anniversary of the grant. Options were previously granted under the two former British Steel Executive Share Option Schemes and continue to be granted under the Corus Executive Share Option Scheme 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. All three schemes are schemes for senior executives of Corus.

On 12 Aug 2001 the Company introduced a new employee share scheme for UK employees, the Corus Employee Share Ownership Plan. The Employee Share Ownership Plan (ESOP) allows eligible employees to make contributions from pre-tax salary to buy Corus shares, which are held in trust (Partnership Shares). At the launch of the ESOP, free shares were offered to employees. Free and partnership shares were offered in accordance with the rules of the Scheme. Shares are awarded to applicants at the market value of an ordinary share on the London Stock Exchange on the day prior to award.

Options outstanding at 29 Dec 2001 together with their exercise prices and dates of exercise are as follows:

	As at 29 Dec 2001		As at 30 Dec 2000		As at 2 Oct 1999		Normal dates of exercise
	No of shares	Price per share	No of shares	Price per share	No of shares	Price per share	
Corus UK	–	99p	15,943	99p	9,861,310	126p	2001
Sharesave Scheme	7,916	100p	21,838,457	100p	19,410,750	128p	2001
	10,711	88p	10,523,840	88p	9,824,881	113p	2001
	18,776,185	88p	28,415,784	88p	26,588,836	113p	2003
Corus	38,872,798	51p	–	–	–	–	2004
Sharesave Scheme	50,854,086	51p	–	–	–	–	2006
Corus UK	361,926	74p	559,914	74p	438,500	94p	1996-2003
Executive Share	2,308,128	107p	2,472,736	107p	1,958,000	137p	1997-2004
Option Scheme	2,388,305	130p	2,629,558	130p	2,113,100	166p	1998-2005
	499,325	138p	593,842	138p	500,200	176p	1999-2006
	1,913,237	122p	2,273,325	122p	1,797,600	156p	2000-2007
	2,571,974	129p	2,637,879	129p	2,085,200	165p	2002-2009
Corus Overseas	8,430	130p	8,430	130p	6,600	166p	1998-2005
Executive Share	2,597,477	138p	2,699,915	138p	2,133,400	176p	1999-2006
Option Scheme	3,575,048	122p	3,719,129	122p	2,923,700	156p	2000-2007
	8,667,845	129p	9,378,013	129p	7,397,940	165p	2002-2009
Corus Executive	25,591,600	120p	27,664,500	120p	–	–	2003-2010
Share Option Scheme	113,600	106p	113,600	106p	–	–	2003-2010
	31,251,000	55p	–	–	–	–	2004-2011
	796,000	50p	–	–	–	–	2004-2011

**25. Share capital** continued

Movements in ordinary shares under option schemes are as follows:

	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 28 Mar 1998	117,435	–	98p	7,819	5,455	–	156p
Exercised	(35,779)	–	50p	–	–	–	–
Forfeited, expired or lapsed	(10,893)	–	118p	(660)	(333)	–	156p
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

Options were exercisable as follows:

British Steel plc shares							
At 2 Oct 1999	–	–	–	5,045	2,140	–	157p
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

Options were granted 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 granted 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 29 Dec 2001 there were 10m ordinary shares available for granting options under the Corus Executive Scheme and the Corus Sharesave Scheme.

**Corus Nederland BV 4.625% convertible debenture loan 2007**

Holders of the bonds can exercise their conversion rights throughout the remaining term of the loan and be issued with Corus Group plc ordinary shares of 50p each.

	Nominal amount NLG	Number of shares to be issued	Period during which right is exercisable	Consideration to be received
At 30 Dec 2000	335m	96,693,438	2000-2007	£95m
At 29 Dec 2001	335m	96,693,438	2000-2007	£92m

## 26. 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
<b>The Company</b>							
At incorporation	-	-	-	-	-	-	-
New shares issued	1,561	5	-	802	-	-	2,368
Share issue expenses	-	-	-	(6)	-	-	(6)
Profit retained	-	-	-	-	359	-	359
At 30 Dec 2000	1,561	5	-	796	359	-	2,721
New shares issued	3	-	-	-	-	-	3
Profit retained	-	-	-	-	23	-	23
At 29 Dec 2001	1,564	5	-	796	382	-	2,747
<b>The Group</b>							
At 28 Mar 1998 – as previously stated	991	-	2,338	98	1,182	13	4,622
Accounting policy change	-	-	-	-	(302)	-	(302)
At 28 Mar 1998 – restated	991	-	2,338	98	880	13	4,320
Loss retained – restated	-	-	-	-	(232)	(18)	(250)
Exchange translation differences on foreign currency net investments	-	-	-	-	8	(2)	6
At 3 Apr 1999 – restated	991	-	2,338	98	656	(7)	4,076
Loss retained – restated	-	-	-	-	(130)	(14)	(144)
Exchange translation differences on foreign currency net investments	-	-	-	-	(11)	1	(10)
New shares issued	-	1	-	-	-	-	1
Transfers and disposals	-	(1)	-	1	2	(2)	-
At 2 Oct 1999 – restated	991	-	2,338	99	517	(22)	3,923
Loss retained – restated	-	-	-	-	(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 – restated	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 (Note 33)	-	-	-	-	40	-	40
New shares issued	3	-	-	-	-	-	3
At 29 Dec 2001	1,564	5	2,338	201	(999)	(48)	3,061

**26. Reconciliation of movements in share capital and reserves** continued

- (i) £381m of the statutory reserves is 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 £281m (30 Dec 2000 restated: £749m; 2 Oct 1999: £336m; 3 Apr 1999: £335m) 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 £13m (30 Dec 2000: £14m; 2 Oct 1999: £14m; 3 Apr 1999: £13m) which is considered by the directors as not available for distribution.
- (iv) As at 29 Dec 2001, the cumulative net goodwill written off to Group reserves resulting from acquisitions prior to 28 Mar 1998 amounts to £285m (30 Dec 2000: £325m; 2 Oct 1999: £325m; 3 Apr 1999: £325m) (see Presentation of accounts and accounting policies Note II).
- (v) There was a foreign exchange loss of £8m arising on certain foreign currency borrowings. This has been set off against exchange differences on foreign currency investments and deposits. The cumulative effect of exchange translation differences is to reduce shareholders' funds by £98m.
- (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.

**27. Future capital expenditure**

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Contracted but not provided for	<b>72</b>	52	33
Authorised but contracts not yet placed	<b>26</b>	53	38

The above figures incorporate an estimate for future inflation.

**28. Operating leases**

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Committed amounts payable for the next year are:			
Leases of land and buildings expiring:			
Within one year	–	2	1
In years two to five	<b>2</b>	6	2
After more than five years	<b>7</b>	31	9
	<b>9</b>	39	12
Other leases expiring:			
Within one year	<b>2</b>	2	2
In years two to five	<b>10</b>	11	6
After more than five years	<b>1</b>	1	–
	<b>13</b>	14	8
Future minimum lease payments for the Group at 29 Dec 2001 are:			
In one year	<b>22</b>	53	20
Between one and two years	<b>20</b>	48	17
Between two and three years	<b>17</b>	45	14
Between three and four years	<b>12</b>	42	12
Between four and five years	<b>10</b>	41	10
More than five years	<b>63</b>	98	74

## 29. Contingencies

	The Group		
	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Guarantees given under trade agreements	23	20	14
Uncalled share capital	1	1	1
Others	6	14	6

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

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

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

On 28 Sep 2001, US mills filed a new anti-dumping complaint against imports of cold rolled steels from 20 countries including the Netherlands. The UK is not included. Corus is contesting this complaint which, if upheld, could result in additional duties, not yet quantifiable, being applied on Corus sales into the US of cold rolled steel from the Netherlands. The investigation by the US authorities into this complaint is continuing, with a preliminary determination due in Apr 2002 and with a final decision in the case now scheduled for Dec 2002 at the latest.

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. Under the Climate Change Levy (Use as Fuel) Regulations 2001, the use of coke and coal in ironmaking is exempt from the levy and consequently Corus considers that it is exempt in respect of its use of coke in ironmaking. A complaint has, however, been lodged with the EC that the UK exemption is an unlawful state aid and the Commission is currently considering the issue. If it is held that the exemption is unlawful Corus will be liable to pay the levy in this respect and this could amount to some £13m per annum.

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. No injuries or damage to property was suffered by any third parties. The accident is being investigated by the police and the Health & Safety Executive. It is possible that a corporate manslaughter charge may be brought or that the Company will be charged with offences under the Health & Safety at Work Act. Any convictions are likely to result in fines being levied.

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

	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Operating loss	(385)	(1,156)	(1,033)	(123)	(189)	(174)
Depreciation (net of grants released)	376	1,161	1,046	115	146	304
Change in pension prepayments and provisions	(16)	4	(25)	29	(11)	(5)
(Decrease)/increase in provisions for doubtful debts	(15)	19	8	11	2	6
Increase/(decrease) in insurance and other provisions	9	12	11	1	4	(22)
Decrease/(increase) in loose plant, tools and spares	15	86	87	(1)	14	(20)
Decrease/(increase) in stocks	41	(63)	5	(68)	(68)	227
Decrease/(increase) in debtors	177	(97)	14	(111)	54	324
Increase/(decrease) in creditors	91	(104)	(52)	(52)	(22)	(204)
Rationalisation costs provided	16	332	322	10	12	70
Utilisation of rationalisation provisions	(137)	(94)	(67)	(27)	(42)	(69)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>172</b>	<b>100</b>	<b>316</b>	<b>(216)</b>	<b>(100)</b>	<b>437</b>

**31. 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 Pensioenfonds Hoogovens Scheme (the 'SPH Scheme') or the collective German Schemes (the 'KHG Schemes'). These are defined benefit schemes providing benefits based on final pay and service at retirement.

**UK GAAP**

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

	12 months to 29 Dec 2001 £m	15 months to 30 Dec 2000 £m	6 months to 2 Oct 1999 £m	12 months to 3 Apr 1999 £m
BS, CES, SPH and KHG Schemes:				
Regular cost	127	211	52	91
Variation due to spreading of identified surplus	(78)	(125)	(40)	(44)
Interest	(11)	(16)	(3)	(7)
BS, CES, SPH and KHG pension costs	38	70	9	40
Other schemes' net pension cost	11	58	10	16
Total pension costs of the Group (Note 4)	49	128	19	56

A prepayment in respect of the BS Scheme of £102m (30 Dec 2000: £103m; 2 Oct 1999: £99m; 3 Apr 1999: £87m) is included in debtors, representing the excess of the amounts funded over the pensions charges in previous years. Of the prepayment, £94m (30 Dec 2000: £90m; 2 Oct 1999: £94m; 3 Apr 1999: £81m) falls due after more than one year.

A prepayment in respect of the SPH Scheme of £181m (30 Dec 2000: £200m) is included in debtors, representing the excess of the amounts funded over pension charges in previous years. Of the prepayment £181m (30 Dec 2000: £176m) falls due after more than one year.

An amount of £5m (30 Dec 2000: £8m; 2 Oct 1999: £10m; 3 Apr 1999: £9m) has been included in provisions for liabilities and charges, in respect of the CES Scheme, representing the variation from regular costs to be spread over the expected remaining service lives of the current employees of Corus Engineering Steels Limited.

An amount of £83m (30 Dec 2000: £79m) has been included in provisions for liabilities and charges in respect of the KHG Schemes, representing the variation from regular costs to be spread over the expected remaining service lives of the current employees in that scheme.

In respect of certain other schemes, provisions of £57m (30 Dec 2000: £85m; 2 Oct 1999: £46m; 3 Apr 1999: £47m) have been included in provisions for liabilities and charges, and prepayments of £16m (30 Dec 2000: £7m; 2 Oct 1999: £2m; 3 Apr 1999: £3m) have been included in debtors falling due after more than one year.

### 31. Pensions and post retirement benefits continued

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

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

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

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

As noted on page 19 of the Review of the period the requirements of FRS 17 'Retirement Benefits' do not have to be fully implemented until accounting periods which end on or after 22 Jun 2003. The results of the most recent actuarial valuations have been updated at 29 Dec 2001 by qualified independent actuaries in accordance with FRS 17. The following disclosures relate to the transitional arrangements under this standard. They outline the closing balance sheet amounts that would be recognised under its accounting requirements.

		BS Scheme	CES, SPH and KHG Schemes
The major assumptions used by the actuaries were:			
Rate of increase in salaries	%	4.25	2.00 to 3.49
Rate of increase in pension payment	%	2.50	2.00 to 2.49
Discount rate	%	6.00	5.75 to 6.00
Inflation assumption	%	2.50	2.00 to 2.49

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

		BS Scheme	CES, SPH and KHG Schemes
		£m	£m
The market values of investments in the schemes at 29 Dec 2001 were:			
Equities		3,472	1,521
Bonds		4,085	1,387
Property		387	276
Other		127	–
		8,071	3,184

**31. Pensions and post retirement benefits** continued

The following amounts at 29 Dec 2001 were measured in accordance with the requirements of FRS 17.

	BS Scheme £m	CES, SPH and KHG Schemes £m
Total market value of assets	8,071	3,184
Present value of scheme liabilities	(6,533)	(2,969)
Surplus in the scheme	1,538	215
Non recoverable surplus	(503)	–
Recoverable surplus	1,035	215
Related deferred tax liability	(311)	(74)
Net pension asset	724	141

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 29 Dec 2001 would be as follows:

**Balance sheet note**

	£m
Net assets	3,121
Adjust for:	
SSAP 24 prepayments net of deferred tax	(190)
SSAP 24 provisions net of deferred tax	54
Net assets excluding SSAP 24 pension assets/liabilities	2,985
FRS 17 pension asset	865
Net assets including FRS 17 pension asset	3,850

**Reserves note**

	£m
Profit and loss reserve	(1,047)
Adjust for:	
SSAP 24 prepayments net of deferred tax	(190)
SSAP 24 provisions net of deferred tax	54
Profit and loss reserve excluding SSAP 24 pension assets/liabilities	(1,183)
FRS 17 pension reserve	865
Profit and loss reserve including FRS 17 pension reserve	(318)

**US GAAP**

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

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

	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m	3 Apr 1999 £m
Service cost	167	203	84	146
Interest cost	358	452	170	381
Expected return on scheme assets	(565)	(665)	(265)	(549)
Amortisation of gains	(64)	(34)	–	–
Amortisation of prior service cost	38	49	14	27
Amortisation of transition asset	(4)	(5)	(2)	(4)
Net periodic benefit cost under SFAS No. 87	(70)	–	1	1

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

		29 Dec 2001	30 Dec 2000	2 Oct 1999	3 Apr 1999
Discount rate	%	5.00	4.75	5.00	4.75
Rate of future salary increases	%	4.25	4.25	4.25	4.25
Rate of future pension increases	%	2.50	2.50	2.50	2.50
Expected long term rate of return on scheme assets	%	6.00	6.25	6.50	7.75

### 31. Pensions and post retirement benefits continued

The disclosure requirements for the BS Scheme under SFAS No. 132, as calculated under SFAS No. 87, are as follows:

	29 Dec 2001 £m	30 Dec 2000 £m	2 Oct 1999 £m
Change in benefit obligation:			
Benefit obligation at beginning of period	7,746	7,499	7,286
Service cost	167	203	84
Interest cost	358	452	170
Employee contributions	32	44	18
Actuarial movement	(333)	7	74
Scheme amendments	-	-	145
Benefits paid	(379)	(459)	(278)
Benefit obligation at end of period	7,591	7,746	7,499
Change in scheme assets:			
Fair value of scheme assets at beginning of period	8,939	8,450	8,765
Actual return on scheme assets	(537)	885	(71)
Employer contributions	16	19	16
Employee contributions	32	44	18
Benefits paid	(379)	(459)	(278)
Fair value of scheme assets at end of period	8,071	8,939	8,450
Funded status:			
Fair value of scheme assets at end of period	8,071	8,939	8,450
Projected benefit obligation	(7,591)	(7,746)	(7,499)
Assets in excess of projected benefit obligation	480	1,193	951
Reconciliation of funded status:			
Prepaid pension cost	379	293	274
Unrecognised net gain at date of initial application of SFAS No. 87	2	6	11
Unrecognised prior service cost	(120)	(158)	(207)
Other unrecognised net gain	219	1,052	873
Assets in excess of projected benefit obligation	480	1,193	951

On adoption of SFAS No. 87 there was a transition asset of £64m representing the excess of the market value of the BS Scheme's investments over its liabilities in respect of past service (with full allowance for future salary increases), the projected benefit obligation. This amount is being recognised in equal instalments over 15 years since adoption.

Improvements in death in service benefits granted in 1988 and changes in the pension arrangements made in 1990 and 1999 are reflected in prior service costs. Prior service costs are amortised on a straight-line basis over the average remaining service period of employees active at the date of amendment. At 29 Dec 2001, there was an unrecognised actuarial gain of £219m (30 Dec 2000: £1,052m; 2 Oct 1999: £873m) 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 KHG Schemes pension cost under SFAS No. 87 are as follows:

	29 Dec 2001 £m	30 Dec 2000 £m
Service cost	46	94
Interest cost	182	197
Expected return on scheme assets	(219)	(242)
Amortisation of losses	(6)	5
Amortisation of prior service cost	3	-
Amortisation of transition liability	2	3
Net periodic benefit cost under SFAS No. 87	8	57

**31. Pensions and post retirement benefits** continued

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

		29 Dec 2001	30 Dec 2000
Discount rate	%	<b>4.75 to 6.0</b>	5.0 to 6.0
Rate of future salary increases	%	<b>2.25 to 2.50</b>	4.0 to 4.25
Rate of future pension increases	%	<b>2.50</b>	2.50
Expected long term rate of return on scheme assets	%	<b>6.0</b>	6.0 to 6.50

The disclosure requirements for the CES, SPH and KHG Schemes under SFAS No. 132, as calculated under SFAS No. 87, are as follows:

	29 Dec 2001 £m	30 Dec 2000 £m
Change in benefit obligation:		
Benefit obligation at beginning of period	<b>3,265</b>	670
Benefit obligation arising from SPH and KHG Schemes	–	2,629
Service cost	<b>46</b>	94
Interest cost	<b>182</b>	197
Employee contributions	<b>15</b>	15
Actuarial movement	<b>(409)</b>	(138)
Scheme amendments	<b>18</b>	–
Exchange rate movements	<b>(73)</b>	(73)
Benefits paid	<b>(144)</b>	(129)
Benefit obligation at end of period	<b>2,900</b>	3,265
Change in scheme assets:		
Fair value of scheme assets at beginning of period	<b>3,473</b>	565
Fair value of scheme assets arising from SPH and KHG Schemes	–	2,659
Actual return on scheme assets	<b>(145)</b>	390
Employer contributions	<b>40</b>	39
Employee contributions	<b>15</b>	15
Other changes	<b>32</b>	–
Exchange rate movements	<b>(87)</b>	(66)
Benefits paid	<b>(144)</b>	(129)
Fair value of scheme assets at end of period	<b>3,184</b>	3,473
Funded status:		
Fair value of scheme assets at end of period	<b>3,184</b>	3,473
Projected benefit obligation	<b>(2,900)</b>	(3,265)
Assets in excess of projected benefit obligation	<b>284</b>	208
Reconciliation of funded status:		
Pension liability	<b>(7)</b>	(39)
Unrecognised net loss at date of initial application of SFAS No. 87	<b>(13)</b>	(16)
Unrecognised prior service cost	<b>(58)</b>	(45)
Other unrecognised net gain	<b>362</b>	308
Assets in excess of projected benefit obligation	<b>284</b>	208

**32. Emoluments of directors**

Details of directors' emoluments and share options are shown on pages 29 to 34.

### 33. Deconsolidation of Avesta Sheffield AB

In Sep 2000, Corus announced the creation of AvestaPolarit Oyj Abp to be formed by the merger of its subsidiary, Avesta Sheffield AB, with the stainless steel activities of Finnish producer, Outokumpu. With effect from 22 Jan 2001 Avesta Sheffield AB 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% associate interest in AvestaPolarit Oyj Abp. The transaction has been accounted for as an exchange of shares, which gave rise to £100m of goodwill, as shown below:

	£m
Group net asset value of Avesta Sheffield AB	326
Transaction costs	3
Fair value of 23% interest in net assets of AvestaPolarit Oyj Abp	(269)
Goodwill in respect of Avesta Sheffield AB reinstated from reserves	40
<hr/>	
Difference arising (treated as additional goodwill) in respect of AvestaPolarit Oyj Abp (Note 13)	100

The goodwill is included in the carrying value of associates and is being amortised over 15 years. An amount of £33m of goodwill arising on the original acquisition of Avesta Sheffield AB, representing the Group's current interest in AvestaPolarit Oyj Abp, remains written off against reserves.

### 34. Acquisition and disposals

During the period the trade and assets of PSW Industries were sold for cash proceeds of £13m, giving rise to nil profit or loss on disposal. In addition the trade and fixed assets, with a value of £1m, of the metal recycling business of Corus Engineering Steels Limited were sold for a profit of £1m after cash proceeds of £2m.

The increase in goodwill in the period (see Note 11) relates to an additional accounting fair value adjustment on the acquisition of Kienle & Spiess GmbH in Aug 2000.

None of these transactions were material to the Group.

### 35. Post balance sheet events

- (i) On 11 Jan 2002 the Company issued €307m 3% Guaranteed Convertible Unsubordinated Bonds due 2007, details of which are given in Note 20.
- (ii) On 16 Jan 2002 Corus announced plans to rebuild the no. 5 blast furnace at Port Talbot with an estimated cost of £75m. The rebuild and associated consequential losses are the subject of an insurance claim.

### 36. Main subsidiaries and investments

The most important subsidiary undertakings, joint ventures and associates of the Group at 29 Dec 2001 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:**

<i>England and Wales</i>		<i>Germany</i>	
Cogent Power Limited (75% owned)		Blume Stahlservice GmbH	
Corus UK Limited	a	Corus Aluminium Profiltechnik GmbH	
Corus Engineering Steels Limited		Corus Aluminium Profiltechnik Bonn GmbH	
(also capped participation shares and non-cumulative		Corus Aluminium Voerde GmbH	
redeemable convertible capped participation preference		Corus Aluminium Walzprodukte GmbH	
shares)		Corus Degels GmbH	
Orb Electrical Steels Limited (75% owned)		Fischer Profil GmbH	
		Hille & Müller GmbH & Co.KG	
		Kienle & Spiess GmbH (75% owned)	
<i>Belgium</i>		<i>Hong Kong</i>	
Corus Aluminium NV		Corus (Asia) Limited	
<i>Canada</i>		<i>Hungary</i>	
Corus Aluminium Quebec and Comp. LP		Kienle & Spiess Hungary Ipari Kft (75% owned)	
Corus LP (60% owned)			
Corus CIC Inc		<i>Ireland (Republic of)</i>	
		The Steel Company of Ireland Limited	
<i>China</i>		<i>Italy</i>	
Corus Aluminium Extrusions Tianjin Co Limited		Corus Italia Srl	
(61.09% owned)			
<i>Czech Republic</i>		<i>Japan</i>	
Corus Central Europe s.r.o		Corus Aluminium Japan Limited	
<i>Denmark</i>		<i>Mexico</i>	
Inter Profiles A/S		Cormag de Mexico (75% owned)	
<i>Finland</i>		<i>Netherlands</i>	
Corus Finland Oy		Aluminium Delfzijl BV	
<i>France</i>		Corus Met BV	
Corus France SA		b	Corus Perfo BV
Monopanel SA		b	Corus Staal BV
Myriad SA			Corus Technology BV
Sogerail SA			Corus Tubes BV
Unitol SA			Corus Vliet & de Jonge BV
			Corus Nederland BV (formerly Koninklijke Hoogovens NV)
			Feijen Staalservice BV
			Multi Steel BV
			Namascor BV
			S.A.B. Profiel BV

### 36. 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

#### USA

Apollo Metals Limited

Corus America Inc

Rafferty Brown North Carolina Co

Thomas Steel Strip Corp

Tuscaloosa Steel Corporation

#### Insurance underwriting for certain risks of the Group:

#### Isle of Man

Crucible Insurance Company Limited

#### Other undertakings:

#### England and Wales

UK Steel Enterprise Limited

#### Joint ventures

##### Steel processing or related activities:

			Issued capital Number of shares	% held
<i>Belgium</i>				
BuyForMetals SA	b	shares of €1	32,000,000	25
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

#### Associated undertakings

##### Steel processing or related activities:

#### Finland

AvestaPolarit Oyj Abp

shares of €0.54 348,942,296 23

Subsidiary undertakings are wholly owned within the Group except where otherwise stated and comprise ordinary shares except where otherwise stated. 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 another subsidiary of the Company. Accounts of undertakings marked 'b' are not audited by PricewaterhouseCoopers.

# Supplementary information for North American investors

## United States generally accepted accounting principles

The Group prepares its accounts in accordance with generally accepted accounting principles (GAAP) applicable in the UK which differ in certain significant respects from those applicable in the USA. These differences and the adjustments necessary to restate the loss for the financial period and shareholders' equity in accordance with US GAAP are shown in the tables set out below. The restatement for the accounting policy change arises from the adoption of the new UK standard FRS 19 'Deferred Tax'.

	12 months to 29 Dec 2001	Restated 15 months to 30 Dec 2000	Restated 12 months to 30 Dec 2000 unaudited	Restated 3 months to 1 Jan 2000 unaudited	Restated 6 months to 2 Oct 1999	Restated 12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
<b>Loss for financial period</b>						
<b>Loss attributable to shareholders – UK GAAP as previously reported</b>	<b>(419)</b>	(1,349)	(1,224)	(125)	(163)	(81)
Accounting policy change	–	307	284	23	19	32
<b>Loss attributable to shareholders – UK GAAP as restated</b>	<b>(419)</b>	(1,042)	(940)	(102)	(144)	(49)
Adjustments:						
Amortisation of goodwill (i)	(5)	(19)	(15)	(4)	(7)	(14)
Depreciation of fixed assets (xi)	5	–	–	–	–	–
Loss on sale of subsidiary (vi)	(202)	–	–	–	–	–
Interest costs capitalised (ii)	8	30	23	7	4	21
Depreciation of capitalised interest (ii)	(16)	(37)	(32)	(5)	(5)	(10)
Pension costs (iii)	100	10	7	3	(5)	34
Stock-based employee compensation awards (iv)	(9)	(10)	(8)	(2)	(3)	(8)
Rationalisation costs (vii)	–	–	–	–	–	(14)
Deferred taxation (viii)	18	(28)	(30)	2	2	(2)
Accelerated depreciation (ix)	(21)	327	327	–	–	–
Loss on commodity derivatives (x)	(25)	–	–	–	–	–
Loss on foreign currency derivatives (x)	(4)	–	–	–	–	–
Minority interests	–	(1)	(1)	–	(2)	1
<b>Loss for financial period – US GAAP</b>	<b>(570)</b>	(770)	(669)	(101)	(160)	(41)

### Loss per ADS in accordance with US GAAP:

Basic	£(1.83)	£(2.48)	£(2.16)	£(0.32)	£(0.81)	£(0.21)
Diluted	£(1.83)	£(2.48)	£(2.16)	£(0.32)	£(0.81)	£(0.21)
Weighted average number of ADSs in issue	312	311	311	308	198	198
Effect of potential conversion of 4.625% bonds (Note 25)	10	10	10	10	–	–
Number of ADSs as basis of calculation of diluted earnings per ADS	322	321	321	318	198	198

	29 Dec 2001 £m	Restated 30 Dec 2000 £m	Restated 2 Oct 1999 £m
<b>Shareholders' equity</b>			
<b>Shareholders' equity – UK GAAP as restated</b>	<b>3,061</b>	3,495	3,923
Adjustments:			
Additional goodwill under US GAAP (i)	99	167	186
UK GAAP goodwill on AvestaPolarit Oyj Abp (i)	(93)	–	–
Fixed assets (xi)	(77)	–	–
Purchase consideration (v)	(26)	(28)	–
Interest costs capitalised (net of depreciation) (ii)	119	140	147
Pension costs (iii)	242	142	132
Stock-based employee compensation awards (iv)	–	–	(22)
Deferred taxation (viii)	(178)	(196)	(168)
Accelerated depreciation (ix)	306	327	–
Liabilities for derivatives (x)	(29)	–	–
Minority interests	–	(7)	(7)
<b>Shareholders' equity in accordance with US GAAP</b>	<b>3,424</b>	4,040	4,191

## 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 29 Dec 2001	15 months to 30 Dec 2000	12 months to 30 Dec 2000 unaudited	3 months to 1 Jan 2000 unaudited	6 months to 2 Oct 1999	12 months to 3 Apr 1999
	£m	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities in accordance with UK GAAP	172	100	316	(216)	(100)	437
Dividends from joint ventures and associated undertakings	9	6	5	1	12	12
Returns on investments and servicing of finance	(110)	(112)	(117)	5	15	27
Tax received/(paid)	13	43	42	1	(16)	(60)
<b>Net cash provided by/(used in) operating activities in accordance with US GAAP</b>	<b>84</b>	<b>37</b>	<b>246</b>	<b>(209)</b>	<b>(89)</b>	<b>416</b>
Capital expenditure and financial investment	(130)	(291)	(216)	(75)	(58)	(179)
Acquisitions and disposals	45	(259)	(101)	(158)	(27)	(6)
Net (purchase)/sale of other short term investments	(6)	1	2	(1)	882	(23)
<b>Net cash (used in)/provided by investing activities</b>	<b>(91)</b>	<b>(549)</b>	<b>(315)</b>	<b>(234)</b>	<b>797</b>	<b>(208)</b>
Net cash (outflow)/inflow from financing activities	(60)	(469)	184	(653)	226	134
(Decrease)/increase in short term borrowings	(31)	6	(70)	76	(2)	(8)
Equity dividends paid	-	(31)	(31)	-	(138)	(201)
<b>Net cash (used in)/provided by financing activities in accordance with US GAAP</b>	<b>(91)</b>	<b>(494)</b>	<b>83</b>	<b>(577)</b>	<b>86</b>	<b>(75)</b>
<b>Exchange translation effects</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>(9)</b>	<b>6</b>
<b>Net (decrease)/increase in cash and cash equivalents in accordance with US GAAP</b>	<b>(94)</b>	<b>(999)</b>	<b>20</b>	<b>(1,019)</b>	<b>785</b>	<b>139</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>271</b>	<b>1,270</b>	<b>251</b>	<b>1,270</b>	<b>485</b>	<b>346</b>
<b>Cash and cash equivalents at end of period</b>	<b>177</b>	<b>271</b>	<b>271</b>	<b>251</b>	<b>1,270</b>	<b>485</b>
<b>Cash and cash equivalents are:</b>						
Cash at bank and in hand	173	231	231	147	141	163
Deposits within 3 months of maturity when acquired (Note 17)	4	40	40	104	1,129	322
	<b>177</b>	<b>271</b>	<b>271</b>	<b>251</b>	<b>1,270</b>	<b>485</b>

## United States generally accepted accounting principles

- (i) Goodwill – Until 1998, UK GAAP allowed the write-off of goodwill arising on acquisition direct to reserves. Negative goodwill was also credited direct to shareholders' equity. On disposal of a business, subsidiary undertaking or associated undertaking, any goodwill previously written off or credited to retained earnings on acquisition is written back to the profit and loss account. This was not in accordance with the US practice of amortising acquired goodwill over a period of up to 40 years and applying negative goodwill as a reduction to the net book value of any fixed assets acquired. To comply with US GAAP, goodwill arising on acquisitions prior to 31 Mar 1990 was amortised over a period of 5 years. Goodwill arising on acquisitions since that date is being amortised over a maximum period of 20 years. The Company periodically assesses the recoverability of unamortised goodwill based on anticipated future earnings. A further adjustment has been necessary in 2001, as the goodwill arising on the UK GAAP deconsolidation of AvestaPolarit Oyj Abp (see Note 33) has also been eliminated for US reporting (see Note (vi)).
- (ii) Capitalisation of interest costs relating to the construction of property, plant and equipment – UK GAAP does not require the capitalisation of interest costs incurred in connection with the financing of expenditures for the construction of property, plant and equipment. Such costs are required to be capitalised under US GAAP. For the purpose of compliance with US GAAP the amount of interest that would have been capitalised on construction costs incurred on major capital projects has been determined and depreciated over the lives of the related assets.
- (iii) Pensions – UK GAAP requires the expected cost of providing pension benefits to be expensed so as to spread the cost over the expected average remaining service lives of employees (see Note 31). Under US GAAP the annual pension cost comprises the estimated cost of benefits accruing in the period plus/(less) an adjustment where the scheme is in deficit/(surplus) at the time the standard was adopted. The charge is further adjusted to reflect the cost of benefit

**United States generally accepted accounting principles** continued

improvements and any surpluses/deficits which emerge as a result of the actuarial assumptions made not being borne out in practice. For US purposes, only those surpluses/deficits falling outside a 10% fluctuation 'corridor' are being recognised. In 2001, the FAS 87 credit is larger than in prior periods due to a significant element of the amortisation of the surplus in the BPS scheme (see Note 31) falling outside this 'corridor'.

- (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 FAS 123 in accounting for its stock-based employee compensation awards. FAS 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:

	29 Dec 2001	30 Dec 2000	2 Oct 1999	3 Apr 1999
Risk free interest rate	<b>5.0%</b>	6.4%	5.7%	No options granted
Expected life	<b>4 years</b>	4 years	4 years	n/a
Expected volatility	<b>45%</b>	35%	35%	n/a
Dividend yield	<b>4.45%</b>	4.45%	4.45%	n/a
Weighted average fair values of options granted in the period	<b>£0.56</b>	£0.30	£0.39	n/a

- (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) Loss on sale of subsidiary – Under UK GAAP the combination between Outokumpu Steel and Avesta Sheffield AB has been accounted for as an exchange of shares and AvestaPolarit Oyj Abp has become a Group associated company (see Note 33). This accounting treatment is prohibited under US GAAP and as such the transaction has been treated as a sale of subsidiary and subsequent purchase of an associate in the US GAAP reconciliation. This gives rise to a loss on sale of subsidiary which is the difference between the US GAAP carrying value of Avesta Sheffield AB and the fair value of the shares in AvestaPolarit Oyj Abp offered as consideration. The US GAAP carrying value of Avesta Sheffield AB had included amounts for unamortised goodwill, capitalised interest costs and deferred taxation that were different from the UK GAAP carrying values. There was also an associated adjustment for minority interests. These amounts have been eliminated from the relevant lines in the US GAAP reconciliation for 2001. Under UK GAAP there is goodwill on the exchange of shares on the formation of AvestaPolarit Oyj Abp, which is eliminated in the US GAAP reconciliation (see Note (i)). However for US GAAP, the fair value of the shares offered as purchase consideration for AvestaPolarit Oyj Abp is less than the fair value of the Group's share of net assets acquired, and this difference has been deducted from the carrying value of fixed assets in the US GAAP reconciliation (see Note (xi)).
- (vii) Rationalisation costs – Until 1998, under UK GAAP, when a decision had been taken to restructure, the necessary provisions were made for rationalisation costs. Under US GAAP, a number of specific criteria have to be met before rationalisation costs can be recognised as an expense. This meant that £14m of rationalisation costs in the period to 28 Mar 1998 could only be recognised under US GAAP in the following period. Following changes to UK GAAP in 1998 the accounting for rationalisation costs is now similar to US GAAP.
- (viii) Deferred taxation – Following the introduction of FRS 19 'Deferred Tax' in the UK, 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. Tax losses amounting to £624m have not been recognised due to the uncertainty as to their recoverability.
- (ix) Accelerated depreciation – Under UK GAAP where an impairment event has occurred the amount by which an asset is impaired is calculated by reference to its value in use. US GAAP requires assets to show an impairment based on an undiscounted cashflow basis before a discounted basis is used to calculate any impairment charge. Certain of the asset impairments recognised under UK GAAP in the period to 30 Dec 2000 did not meet the undiscounted cashflow test specified under US GAAP. Earnings under US GAAP would continue to include the depreciation on these assets. The impairments made in 2000 that were allowed under US GAAP related to the carbon steel assets at Llanwern, Ebbw Vale, Shotton and Bryngwyn.
- (x) Derivatives – FAS 133, 'Accounting for Derivative Instrument and Hedging Activities' establishes accounting and reporting standards for derivative instruments and hedging activities. In general, FAS 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

FAS 133, for US reporting purposes, on 1 Jan 2001. Upon adoption of FAS 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 – As discussed in Note (vi) above, the value of the purchase consideration for AvestaPolarit Oyj Abp was less than the value of the assets acquired. This difference has been deducted from the carrying value of fixed assets in the US GAAP reconciliation, and is being amortised over 15 years.

## **New US accounting standards**

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

### **SFAS 141 – Business combinations**

In Jul 2001, the Financial Accounting Standards Board issued SFAS 141. This Statement is effective for all business combinations initiated after 30 Jun 2001 and for all business combinations accounted for by the purchase method that are completed after 30 Jun 2001. SFAS 141 prohibits the pooling of interests method of accounting for business combinations and 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. The impact of adopting SFAS 141 is not expected to have a material impact on Group results.

### **SFAS 142 – Goodwill and other intangible assets**

In Jun 2001, the US Financial Accounting Standards Board issued SFAS 142. The standard removes the requirement to amortise goodwill, and certain other intangible fixed assets, on all acquisitions subsequent to 30 Jun 2001. This treatment will require the use of complex and vigorous valuation processes when allocating the purchase price of an acquisition to tangible assets, intangible assets and goodwill. Annual impairment reviews will need to be carried out to assess the recoverability of such assets. For fiscal years commencing after 15 Dec 2001, all existing goodwill, and certain intangible assets, will no longer be amortised. This will require a thorough initial impairment review, followed by annual impairment reviews thereafter. At this time, Corus is still assessing the full impact of adopting the standard, although it expects that current amortisation charges of £12m per annum will no longer be charged to earnings.

### **SFAS 143 – Accounting for asset retirement obligations**

In Jun 2001, the US Financial Accounting Standards Board 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. This statement is effective for fiscal years beginning after 15 Jun 2002. At this time, Corus is still assessing the impact of adopting the standard.

### **SFAS 144 – Accounting for the impairment or disposal of long-lived assets**

In Jun 2001, the US Financial Accounting Standards Board issued SFAS 144. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement establishes a single accounting model for long-lived assets to be disposed of and addresses implementation issues related to SFAS 121. This statement is effective for fiscal years beginning after 15 Dec 2001. At this time, Corus is still assessing the impact of adopting the standard.

## **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 43 to 45. Also, the most significant accounting policies that impact on Group results are discussed in the Review of the period on page 18.

## **Comprehensive income**

In Jun 1997, the US Financial Accounting Standards Board issued SFAS 130. 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 40.

# Five year financial summary

## Profit and loss account

	Periods ended					
	Restated 12 months to 29 Mar 1997 £m	Restated 12 months to 28 Mar 1998 £m	Restated 12 months to 3 Apr 1999 £m	Restated 6 months to 2 Oct 1999 £m	Restated 15 months to 30 Dec 2000 £m	Restated 12 months to 29 Dec 2001 £m
<b>Group turnover</b>						
United Kingdom	3,111	3,010	2,663	1,119	3,274	2,291
Other European	2,772	2,687	2,532	1,085	6,018	3,899
North America	673	654	657	327	1,647	889
Other areas	668	596	407	178	759	620
	7,224	6,947	6,259	2,709	11,698	7,699
<b>Group operating profit/(loss)</b>	376	265	(174)	(189)	(1,156)	(385)
Share of operating results of joint ventures and associated undertakings	15	–	(3)	–	–	12
<b>Operating profit/(loss)</b>	391	265	(177)	(189)	(1,156)	(373)
Profit on disposal of fixed assets	18	11	8	10	5	19
<b>Profit/(loss) before interest</b>	409	276	(169)	(179)	(1,151)	(354)
Net interest and investment income	42	39	27	12	(124)	(108)
<b>Profit/(loss) on ordinary activities before taxation</b>	451	315	(142)	(167)	(1,275)	(462)
Taxation	(120)	(75)	69	27	286	43
Minority interests	2	(10)	24	(4)	(53)	–
<b>Profit/(loss) for financial period</b>	333	230	(49)	(144)	(1,042)	(419)
Dividends	(204)	(195)	(201)	–	(31)	–
<b>Profit/(loss) retained for the period</b>	129	35	(250)	(144)	(1,073)	(419)
<b>Earnings/(loss) per ordinary share in pence</b>	16.35	11.65	(2.47)	(7.27)	(33.50)	(13.42)
<b>Dividend per ordinary share in pence</b>	10.0	10.0	10.0	–	1.0	–
<b>Earnings/(loss) per ADS in £</b>	1.64	1.17	(0.25)	(0.73)	(3.35)	(1.34)
<b>Dividend per ADS in £</b>	1.00	1.00	1.00	–	0.10	–
<b>Amounts in accordance with US GAAP</b>						
Profit/(loss) for financial period	414	230	(41)	(160)	(770)	(570)
Earnings/(loss) per ADS in £	2.03	1.16	(0.21)	(0.81)	(2.48)	(1.83)

## Balance sheet

	As at					
	Restated 29 Mar 1997 £m	Restated 28 Mar 1998 £m	Restated 3 Apr 1999 £m	Restated 2 Oct 1999 £m	Restated 30 Dec 2000 £m	Restated 29 Dec 2001 £m
<b>Fixed assets</b>	3,565	3,647	3,480	3,344	4,143	3,750
<b>Current assets</b>	4,311	4,071	3,691	3,635	4,255	3,368
<b>Total assets</b>	7,876	7,718	7,171	6,979	8,398	7,118
<b>Long term borrowings</b>	(618)	(687)	(825)	(1,036)	(1,766)	(1,612)
<b>Creditors, provisions and minority interests</b>	(2,807)	(2,711)	(2,270)	(2,020)	(3,137)	(2,445)
<b>Shareholders' funds</b>	4,451	4,320	4,076	3,923	3,495	3,061
<b>Shareholders' funds in accordance with US GAAP</b>						
Capital stock	1,019	991	991	991	1,566	1,569
Other reserves	3,936	3,755	3,510	3,200	2,474	1,855
	4,955	4,746	4,501	4,191	4,040	3,424

## 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			
	Restated 3 Apr 1999 €m	Restated 2 Oct 1999 €m	Restated 30 Dec 2000 €m	29 Dec 2001 €m
<b>Group turnover</b>				
United Kingdom	3,959	1,705	5,322	<b>3,698</b>
Other European	3,765	1,653	9,783	<b>6,294</b>
North America	977	498	2,677	<b>1,435</b>
Other areas	605	271	1,234	<b>1,001</b>
	9,306	4,127	19,016	<b>12,428</b>
<b>Group operating loss</b>	(259)	(287)	(1,879)	<b>(622)</b>
Share of operating results of joint ventures and associated undertakings	(4)	–	–	<b>19</b>
<b>Operating loss</b>	(263)	(287)	(1,879)	<b>(603)</b>
Profit on disposal of fixed assets	12	15	8	<b>31</b>
<b>Loss before interest</b>	(251)	(272)	(1,871)	<b>(572)</b>
Net interest and investment income	40	18	(202)	<b>(174)</b>
<b>Loss on ordinary activities before taxation</b>	(211)	(254)	(2,073)	<b>(746)</b>
Taxation	102	41	465	<b>69</b>
Minority interests	36	(6)	(86)	<b>–</b>
<b>Loss for financial period</b>	(73)	(219)	(1,694)	<b>(677)</b>
Dividends	(299)	–	(50)	<b>–</b>
<b>Loss retained for the period</b>	(372)	(219)	(1,744)	<b>(677)</b>
<b>Loss per ordinary share in euros</b>	(0.04)	(0.11)	(0.54)	<b>(0.22)</b>
<b>Dividend per ordinary share in euros</b>	0.15	–	0.02	<b>–</b>
<b>Loss per ADS in euros</b>	(0.37)	(1.10)	(5.45)	<b>(2.16)</b>
<b>Dividend per ADS in euros</b>	1.49	–	0.16	<b>–</b>
<b>Amounts in accordance with US GAAP</b>				
Loss for financial period	(61)	(244)	(1,252)	<b>(920)</b>
Loss per ADS in euros	(0.31)	(1.23)	(4.03)	<b>(2.95)</b>

### Balance sheet

	As at			
	Restated 3 Apr 1999 €m	Restated 2 Oct 1999 €m	Restated 30 Dec 2000 €m	29 Dec 2001 €m
<b>Fixed assets</b>	5,174	5,175	6,592	<b>6,159</b>
<b>Current assets</b>	5,488	5,625	6,770	<b>5,532</b>
<b>Total assets</b>	10,662	10,800	13,362	<b>11,691</b>
<b>Long term borrowings</b>	(1,227)	(1,603)	(2,810)	<b>(2,647)</b>
<b>Creditors, provisions and minority interests</b>	(3,375)	(3,126)	(4,991)	<b>(4,016)</b>
<b>Shareholders' funds</b>	6,060	6,071	5,561	<b>5,028</b>
<b>Shareholders' funds in accordance with US GAAP</b>	6,692	6,486	6,428	<b>5,624</b>

The profit and loss account has been translated at the average rate for the period of €1.6143 (15 months ended 30 Dec 2000: 1.6256; 6 months ended 2 Oct 1999: 1.5234; year ended 3 Apr 1999: year end rate of 1.4868) to £1.00.

The balance sheet has been translated at the period end rate of €1.6425 (30 Dec 2000: 1.5911; 2 Oct 1999: 1.5475; 3 Apr 1999: year end rate of 1.4868) to £1.00.

## Other key data

		Periods ended					
		12 months to 29 Mar 1997	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
Capital expenditure	£m	413	404	189	55	400	<b>166</b>
Average number of employees	000s	53	50	46	44	65	<b>56</b>
Turnover per employee	£000s	137	139	135	62	180	<b>138</b>
Employment costs: turnover	%	19.4	19.4	20.6	22.2	20.6	<b>21.3</b>
Liquid steel production	mt	17.0	17.8	16.7	8.3	20.0	<b>17.7</b>
Research and development expenditure (gross)	£m	49	52	49	22	113	<b>66</b>
UK consumption of main finished steel products:	mt						
Within Corus' range		11.3	11.9	11.5	5.6	14.2	<b>10.8</b>
Outside Corus' range		2.6	2.8	2.8	1.3	3.2	<b>2.7</b>
		13.9	14.7	14.3	6.9	17.4	<b>13.5</b>
UK consumption of main finished steel products within Corus' range was met by:	mt						
Corus' deliveries		6.6	6.8	6.2	3.0	7.8	<b>5.5</b>
Other UK steel companies' deliveries		0.7	0.7	0.6	0.3	0.7	<b>0.6</b>
Imports		4.0	4.4	4.7	2.3	5.7	<b>4.7</b>
		11.3	11.9	11.5	5.6	14.2	<b>10.8</b>
Corus' UK market share	%	58	57	54	53	55	<b>51</b>

# Analysis of shareholdings at 29 December 2001

<b>By size of holding</b>	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
1 – 100	5,392	3.37	393,812	0.01
101 – 500	68,805	43.01	29,271,413	0.94
501 – 1,000	47,239	29.53	40,991,852	1.31
1,001 – 5,000	32,556	20.35	69,470,105	2.22
5,001 – 10,000	3,373	2.11	24,530,404	0.78
10,001 – 50,000	1,698	1.06	32,162,755	1.03
50,001 – 100,000	171	0.11	12,555,682	0.40
100,001 – 1,000,000	485	0.30	184,356,163	5.90
1,000,001 – Highest	249	0.16	2,733,047,037	87.41
	159,968	100.00	3,126,779,223	100.00

<b>By category of shareholder</b>	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
Male	91,195	57.01	115,446,707	3.69
Female	51,227	32.02	53,826,331	1.72
Joint Account	14,454	9.04	16,209,046	0.52
Bank	5	–	2,115,263	0.07
Nominee Company	2,590	1.62	2,696,374,074	86.24
Insurance Company	4	–	3,098,481	0.10
Pension Fund	13	0.01	79,881	–
Other Limited Company	370	0.23	220,407,536	7.05
Other Corporate Body	108	0.07	19,220,894	0.61
Public Limited Company	2	–	1,010	–
	159,968	100.00	3,126,779,223	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

## General enquiries

For enquiries on all matters not covered below or if you would like a copy of the Environmental Brochure please contact:

### UK

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

Registered in England No. 3811373

or

### Netherlands

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

## American Depositary Receipts (ADRs)

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

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

The Bank of New York  
ADR Department  
620 Avenue of the Americas  
New York NY 10011  
Telephone:

US Holders: +1 (888) 269 2377

Canadian Holders: +1 (610) 312 5315

## Dividend payments to ADR holders

No dividend was paid for 2001.

There is no UK withholding tax on dividends. The position relating to dividends paid after 5 April 1999 is that no advance corporation tax is payable and individual shareholders tax resident in the UK are entitled to a tax credit in respect of each dividend, equal to one ninth of the net dividend. USA resident shareholders are generally entitled to the same credit to which a UK individual shareholder is entitled. However, the

imposition of UK withholding tax on the credit in effect cancels out the credit, therefore no payment of this credit may be obtained from the UK Inland Revenue.

## Voting at the Annual General Meeting

The 2002 Annual General Meeting of shareholders takes place in London on 22 April 2002. ADR holders may instruct The Bank of New York as to how the ordinary shares represented by their ADRs should be voted by completing and returning the voting card in accordance with the instructions printed thereon.

## Form 20-F

The Company is subject to the reporting requirements of the US Securities and Exchange Commission ('SEC'). In compliance with these regulations, the Company will file its Annual Report on Form 20-F with the SEC in March 2002. Copies may be obtained from The Bank of New York or the Secretary's Office.

## Holders of ordinary shares

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

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

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

## Dividend mandate

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

## Share price information

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

Telephone: 0906 8433311

## Website

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

## Financial calendar

Annual General Meeting:  
22 April 2002

Interim results announced  
for 6 months to 29 June 2002:  
12 September 2002.

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**[www.corusgroup.com](http://www.corusgroup.com)**

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