

309

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED

ANNUAL REPORT AND ACCOUNTS 1979-80

DIRECTORS' REPORT AND ACCOUNTS

for the 52 weeks ended

29th MARCH 1980

B.S.C. (Chemicals) Limited
Staveley Works
Chesterfield
Derbyshire S43 2PA



BRITISH STEEL CORPORATION (CHEMICALS) LIMITED

REPORT OF THE DIRECTORS

in respect of the 52 weeks ended 29th March, 1980

DIRECTORS:

Mr. D. G. S. Waterstone
Mr. H. Howles
Mr. D. J. Davison

Chairman
Finance Director

SPECIAL DIRECTORS:

Mr. J. C. Lagoe
Dr. M. G. Peard
Dr. P. H. Pinchbeck

EMPLOYEE DIRECTOR:

Mr. R. S. J. Chilton

SECRETARY:

Mr. D. J. Smith

1. The directors present their report and the audited accounts for the 52 weeks ended 29th March, 1980.
2. Holding Company
The company is a wholly-owned subsidiary of British Steel Corporation.
3. Principal Activities
The principal activities of the company and its subsidiary continued to be the production and sale of chemicals and coke throughout the year. It is intended that the company's activities comprising the production and sale of coke will be transferred to British Steel Corporation.
4. Trading Results
The results of the group for the 52 weeks ended 29th March, 1980, are set out in the consolidated profit and loss account on page 5.
5. Dividends
Interim dividends of £15,948 and £54,000 were paid during the year. The directors do not recommend any further dividends.
6. Exports
The total value of exports from the United Kingdom by the group during the 52 weeks was £12,138,952.

7. Fixed Assets

Movements in fixed assets are shown in note 9 to the accounts on pages 17 and 18.

The group's principal interests in land were acquired over many years by the company and its predecessors. Due to the upward trend in property values in recent years, the present market value of these interests on either an existing or alternative use basis is considered by the directors to be in excess of book value at the 29th March, 1980. The amount of this excess cannot be ascertained without a complete revaluation, which is not at present considered practicable.

A re-assessment has been made of the value and use of fixed assets (see general note IV, page 11).

8. Directors

The directors of the company are set out on page 1. All of these directors have been directors for the whole of the 52 weeks ended 29th March, 1980. Mr. W. A. P. Carter resigned as a special director on 31st October, 1979.

9. Directors' Interests

According to the register kept under Section 29 of the Companies Act 1967, none of the directors at 29th March, 1980, held any beneficial interest in the shares of the company at either the beginning or the end of the 52 weeks ended 29th March, 1980.

10. Employees

The average number of employees employed by the group during each week of the 52 weeks was 1937 and their aggregate remuneration was £10,631,856.

11. Subscriptions and Donations

Charitable and educational subscriptions and donations made by the group during the 52 weeks amounted to £895. No contributions for political purposes were made.

12. Auditors

A resolution to re-appoint the auditors, Coopers and Lybrand, will be proposed at the annual general meeting.

15th July, 1980

Staveley Works,
Chesterfield,
Derbyshire, S43 2PA

By Order of the Board


D. J. SMITH

Secretary.

REPORT OF THE AUDITORS

TO THE MEMBERS OF

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED

1. We have audited the accounts set out on pages 5 to 23. These have been prepared under the historical cost convention which permits the inclusion of certain assets at a revaluation. The scope of our audit was limited by the matters referred to in paragraph 2 below.
2. As explained in general note III, the accounting procedures and financial controls in the Company were disrupted by the strike during the last quarter of the financial year and as a result:-
 - a) whilst efforts have subsequently been made to ensure, as far as possible, the accuracy and reliability of its records, some financial procedures, including particularly the preparation of management accounts and year-end procedures relating to physical verification of stocks, could not be satisfactorily completed; and
 - b) the programme of work of British Steel Corporation's Internal Audit Department could not be completed.

In the respects mentioned in (a) above, the accounting records have not been properly maintained and some degree of estimation has therefore been necessary in preparing the accounts. Furthermore, for the reasons given in (a) and (b) above, it has not been possible to carry out all the auditing procedures, or to obtain all the information and explanations, that we consider necessary.

3. As explained in general note IV, the Company has written down the book value of fixed assets as at 1st April, 1979, by £18.1 million. Due to the continuing uncertainties of the steel industry, in particular those relating to the level of future supplies of raw materials to the Company and its subsidiary, and the consequential effect on future trading results, we have not been able to satisfy ourselves that:-
 - a) as a result of this write-down, the amount of £29.0 million at which fixed assets are stated in the consolidated balance sheet (Company £27.1 m.) will be recoverable out of future earnings; and
 - b) a write-down beyond the present level will not prove to be necessary.

4. As stated in general note I, the Company is dependent on the British Steel Corporation for continued financial support in respect of its on-going cash requirements for the financial year 1980/81. However, the Corporation is not yet able to assure such support. The accounts have been drawn up on a 'going concern' basis which assumes that this support will be forthcoming.
5. Subject to any adjustments that may be required in respect of the uncertainties mentioned in paragraphs 2 and 3 above, in our opinion, the accounts give, on the basis described in paragraph 4, a true and fair view of the state of affairs at 29th March, 1980, and of the loss and source and application of funds for the year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.


COOPERS AND LYBRAND

Chartered Accountants

Sheffield

15th July, 1980

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT AND LOSS ACCOUNT

for the 52 weeks ended 29th March, 1980

<u>Note</u>	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
1. Turnover	93,459,905	81,895,957
2. Trading Profit	8,742,145	5,581,857
Share of profits of the associated companies	637,021	407,196
Profit before taxation	9,379,166	5,989,053
6. Taxation	(37,564)	(309,045)
Profit after taxation	9,341,602	5,680,008
Minority interests	(186,002)	(96,623)
Profit after taxation and before extraordinary item	9,155,600	5,583,385
7. Extraordinary item	(18,104,428)	-
(Loss)/Profit after taxation and extraordinary item	(8,948,828)	5,583,385
8. Dividends	(69,948)	(5,678,221)
17. Loss for the Year	(9,018,776)	(94,836)
<u>Statement of (Accumulated Loss)/Retained Profit</u>		
17. Balance as at 1st April, 1979 as previously reported	1,910,484	1,026,683
Prior Year adjustment relating to change in accounting policy for deferred taxation in associates	-	978,637
As restated	1,910,484	2,005,320
Loss for the Year	(9,018,776)	(94,836)
Balance as at 29th March, 1980	(7,108,292)	1,910,484

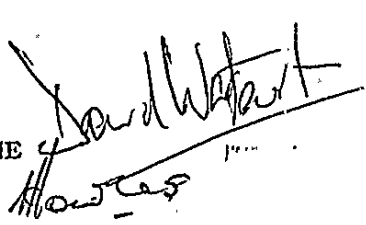
Notes and related statements forming part of these accounts appear on pages 9 to 23.

Report of the auditors - Pages 3 and 4.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET

at 29th March, 1980

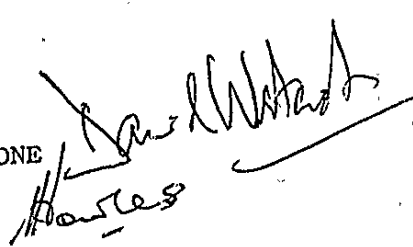
<u>Note</u>	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
<u>NET ASSETS</u>		
9. Fixed Assets	28,980,652	39,567,643
BSC Head Office Current and Advance Accounts	(38,703,946)	(29,128,037)
12. Associated companies and trade investments	7,157,478	5,952,339
13. Net current assets	13,011,466	10,734,100
Dividend payable	-	(5,663,723)
	<u>10,445,650</u>	<u>21,462,322</u>
<u>CAPITAL EMPLOYED</u>		
15. Share Capital	12,525,000	12,525,000
Share Premium Account	2,499,990	2,499,990
16. Capital Reserve	1,208	1,208
17. (Accumulated Loss)/Retained Profit	(7,108,292)	1,910,484
Total capital and reserves	7,917,906	16,936,682
18. Deferred Taxation	1,027,000	840,353
Minority Interests	886,208	716,027
Regional development and other grants	614,536	2,969,260
	<u>10,445,650</u>	<u>21,462,322</u>
 D.G.S. WATERSTONE H. HOWLES		

Notes and related statements forming part of these accounts appear on pages 9 to 23.

Report of the auditors - pages 3 and 4.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED

BALANCE SHEET
at 29th March, 1980

<u>Note</u>	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
<u>NET ASSETS</u>		
9. Fixed Assets	27,131,364	38,031,575
BSC Head Office Current and Advance Accounts	(38,703,946)	(29,128,037)
11. Investment in Subsidiary	264,213	264,213
12. Associated companies and trade investments	5,884,805	4,477,262
13. Net Current Assets	12,048,123	9,983,343
Dividend payable	-	(5,663,723)
	<u>6,624,559</u>	<u>17,964,633</u>
<u>CAPITAL EMPLOYED</u>		
15. Share Capital	12,525,000	12,525,000
Share Premium Account	2,499,990	2,499,990
Accumulated Loss	(8,986,299)	-
Total Capital and Reserves	<u>6,038,691</u>	<u>15,024,990</u>
Regional Development and Other Grants	585,868	2,939,643
	<u>6,624,559</u>	<u>17,964,633</u>
D.G.S. WATERSTONE H. HOWLES 		

Notes and related statements forming part of these accounts appear on pages 9 to 23.

Report of the auditors - pages 3 and 4.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the 52 weeks ended 29th March, 1980.

	<u>1980</u>		<u>1979</u>	
<u>SOURCE OF FUNDS</u>	£	£	£	£
Trading Profit		8,742,145		5,581,857
Dividends from associated companies		1,049,962		-
Extraordinary item		<u>(18,104,428)</u>		<u>-</u>
		(8,312,321)		5,581,857
Adjustments for items not involving the movement of funds:				
Depreciation written back on relieving fixed assets		-	(5,599)	-
Write-down of fixed assets	18,104,428			
Depreciation, less regional development and other grants release	<u>1,774,665</u>	<u>19,879,093</u>	<u>1,208,230</u>	<u>1,202,631</u>
FUNDS GENERATED FROM OPERATIONS		11,566,772		6,784,488
FUNDS FROM OTHER SOURCES				
BSC Head Office Current and Advance Accounts		9,575,909		10,042,523
Regional Development and Other Grants		<u>(104,766)</u>		<u>1,718,319</u>
		<u>21,037,915</u>		<u>18,545,330</u>
		£		£
<u>APPLICATION OF FUNDS</u>				
Dividends Paid to shareholders of the company		5,733,671		4,589,095
To minority shareholders in the subsidiary		15,820		14,382
Taxation paid		2,158		(100,181)
Due to British Steel Corporation in respect of Advance Corporation Tax and Group Relief		39,728		-
Purchase of fixed assets, less disposals		11,542,060		13,282,823
Investment in Associated Companies		<u>1,407,543</u>		<u>163,003</u>
Movements in Working Capital:-		18,740,980		17,949,122
Increase/(Decrease) in stocks and work in progress	5,177,654		2,077,731	
Increase/(Decrease) in debtors and grants receivable	2,469,321		(971,546)	
(Increase)/Decrease in creditors	(855,756)		(2,515,835)	
Current Accounts with British Steel Corporation and fellow subsidiaries	<u>(4,418,171)</u>		2,661,571	
Movement in net liquid funds	<u>(76,113)</u>	<u>2,296,935</u>	<u>(655,713)</u>	596,208
		<u>21,037,915</u>		<u>18,545,330</u>

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

GENERAL NOTES ON THE ACCOUNTS AND ACCOUNTING POLICIES

I Basis of Preparation of Accounts

British Steel Corporation (Chemicals) Limited is a wholly-owned subsidiary of British Steel Corporation.

The accounts are prepared under the historical cost convention which permits the inclusion of certain assets at a revaluation and are in accordance with the relevant Statements of Standard Accounting Practice which were in operation during the year.

The accounts have been prepared on a going concern basis, which assumes that sufficient finance will be available to cover on-going requirements. The external financing limit for British Steel Corporation, currently specified by the Secretary of State for Industry for the financial year 1980/81, will not, however, be sufficient to meet the Corporation's requirements.

The Government has indicated that it is not prepared to reconsider the external financing limit at the present time. The Corporation is undertaking a further review of its capacity, including further disposals, to bring cash requirements as close as practicable to the external financing limit and will be making proposals to Government in due course. Meanwhile, the Government has asked the Corporation to continue trading as an on-going business on the basis that, in the last resort, it would have to ensure that creditors of the Corporation have their claims met in full. The effect of Section 11 Iron and Steel Act 1975 is that British Steel Corporation supports the company in respect of all transactions entered into whilst it is a wholly-owned subsidiary company of British Steel Corporation.

II Consolidated Accounts and Associated Companies

The consolidated accounts include the accounts of the company for the 52 weeks ended 29th March, 1980, and those of its subsidiary Bitmac Limited ("Bitmac") for the year ended 31st December, 1979. The accounts of Bitmac were made up to that date to avoid delays in consolidation.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

GENERAL NOTES ON THE ACCOUNTS AND ACCOUNTING POLICIES

II Consolidated Accounts and Associated Companies (Continued)

The company has also included in the consolidated profit and loss account its share of the results and in the consolidated balance sheet its share of the retained earnings of associated companies in which it holds not less than 20% of the equity capital and participates in commercial and financial policy. The accounts of associated companies used for this purpose cover periods of one year to dates falling within the period 29th December, 1979, to 29th March, 1980. These accounts have been approved in principle by the boards of the companies and although not yet formally adopted, they are considered reliable.

III Effect of Steel Strike

During the steel strike in the last quarter of the financial year, the majority of the company's normal accounting and other control systems could not be operated, accounting records could not be written up, normal management accounts could not be prepared and certain of the year-end accounting procedures could not be carried out. In particular, certain of the company's stock and work-in-progress could not be subjected to normal physical verification procedures for year-end purposes and creditors and accruals of expenditure could not be ascertained by normal methods. In these circumstances some degree of estimation has been necessary in preparing these accounts, possibly necessitating future adjustments to the reported figures. In the absence of corroborations and assurances normally regarded as desirable, reliance has been placed on management judgement and accounting systems which in the past have been found to be reliable. The various accounting and other control systems have been re-established since the strike ended. Inevitably, the strike seriously influenced turnover and the loss for the year as well as other figures shown in the accounts. In particular, those relating to debtors and creditors were distorted.

IV Write-Down of Fixed Assets

The company's fixed asset value (and related depreciation charge) at 1st April, 1979, reflected capacity which was more than the Company could reasonably expect to utilise in the future. Accordingly an assessment was made of the amount to be written off the company's fixed asset values to take account of capacity no longer required and the potential earning power of assets which remain.

The write-down resulting from this assessment has been calculated as at the beginning of the financial year (i.e. at 1st April, 1979).

The write-down has been charged as an extraordinary item in the profit and loss account. The depreciation charge for the year is related to the revised net book value of assets as at 1st April, 1979.

The amount written down has been calculated in relation to general over capacity throughout the company, comparing current installed capacity with the expected requirements.

The assessment covers all fixed assets categories, including assets in the course of construction at 1st April, 1979, as well as other items in the accounts which are related to the fixed assets - namely the Regional Development Grant balance.

In carrying out this assessment the company is conforming with the provisions of Statement of Standard Accounting Practice No.12, which requires that where the unamortised cost of an asset is seen to be irrecoverable in full, it should be written down to the estimated recoverable amount, which should be charged over the remaining useful life.

However, in view of the uncertainties of the steel industry and therefore the level of future supplies of raw materials, the company is not yet able to confirm whether the asset values remaining after the write-down will be recoverable out of future earnings, or whether a further write-down will be necessary. Nevertheless, the company is satisfied that at least the present level of write-down is justified.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

GENERAL NOTES ON THE ACCOUNTS AND ACCOUNTING PRINCIPLES

V Regional Development and Other Grants

The total amounts received are receivable in respect of regional development and similar grants since the relevant legislation was introduced are taken to a separate account and are released to profit and loss account over the estimated lives of the assets to which they relate.

VI Land, Buildings and Plant

Fixed assets are stated at original cost or valuation, less accumulated depreciation. Cost comprises the direct expenditure incurred without deducting regional development and other grants. Commissioning costs and interest attributable to expenditure on assets in course of construction are not capitalised but are written off to revenue as incurred. Expenditure on new installations and schemes which have not been commissioned by the accounting date is classified as buildings and plant in course of construction and is transferred to the appropriate fixed asset accounts on completion of commissioning.

VII Depreciation

Depreciation has been calculated for general works plant on the original cost or valuation of the assets so as to write off expenditure on a straight line basis over a period of twenty years, or such shorter period as is appropriate; other fixed assets are depreciated on a straight line basis at rates appropriate to the class of asset concerned. Except in the case of fixed assets written down (general note IV) no depreciation is charged on buildings and plant in course of construction, nor is any further charge made in respect of assets fully written off but still in use. (See note 9). The minimum annual depreciation rates used for the main categories of fixed assets are:-

	<u>Rate</u>
Freehold and long leasehold buildings which house plant and other works buildings	6 $\frac{2}{3}$ per cent
Other freehold and long leasehold buildings	2 per cent
Short leaseholds	According to the period of the lease
Plant and machinery with an estimated minimum life of 20 years	5 per cent
Plant and machinery with an estimated life of less than 20 years	According to the life of the plant

VII Depreciation (Continued)

As explained in general note IV additional depreciation arising from the write-down of fixed assets was provided as at 1st April, 1979. Profits or losses on disposal are included in the trading results for the year.

VIII Stock and Work in Progress

Stocks include raw materials, partly processed materials, finished products, spares and stores, and are valued at the lower of cost and net realisable value of the separate items of stock. Cost of raw materials, spares and stores is determined at purchase price including delivery charges. Partly processed and finished products are stated at cost of production including works overheads.

Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the cost of conversion from its existing state to a finished condition, and costs of disposal. Provisions are made, where necessary, to cover slow moving and obsolescent items.

IX Pensions

Pension obligations for all staff and manual grades employed in the United Kingdom are funded in the British Steel Corporation Staff and Manual Grades Superannuation Schemes, which are administered independently of the Corporation. Actuarial valuations take place at intervals of not more than three years. The cost of changes in benefit is met from future contributions to the schemes and charged in the accounts when the contributions are made.

X Insurance

Legal liabilities to employees and to third parties are covered by policies of insurance, and personal accident cover is in force for pre-determined circumstances. Marine, aircraft risks and contracts are also insured. Material damage and consequential losses caused by fire, explosion and aircraft are covered by policies if they are in excess of stated limits for any one loss. Where appropriate, export credit risks are covered with Export Credits Guarantee Department. Losses which are not insured are charged in the accounts as they are recognised.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

GENERAL NOTES ON THE ACCOUNTS AND ACCOUNTING POLICIES

XI Deferred Taxation

Timing differences arise as a result of expenditure being recognised for tax purposes in a period other than in which it is reflected in the profit and loss account. It is the policy of the British Steel Corporation to provide for deferred taxation on timing differences only if a liability is expected to arise in the foreseeable future. The company has an agreement with the Corporation whereby profits and losses are grouped for taxation purposes without payment. Any provisions for deferred taxation which are necessary will be made by the Corporation on a group basis. The subsidiary company is 51% owned and is not therefore covered by the group relief agreement. The policy of the Corporation is followed by the subsidiary company and the associated companies.

XII Turnover

Sales to the United Kingdom customers represent the invoiced prices (which include delivery charges) of products sold and does not include V.A.T. Sales to export customers are recorded at the f.o.b. prices of the products sold. Total turnover excludes all sales between the company and its subsidiary.

XIII Interest Receivable and Other Income

Interest receivable and other income comprises interest received and receivable to the balance sheet date on loans to associated companies and dividends from trade investments.

XIV Repairs and Renewals

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

XV Research and Development Expenditure

Revenue expenditure on research and development is charged to profit and loss account as incurred. Capital expenditure is written off over the anticipated period of research.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

1. <u>Turnover</u>	<u>1980</u> £	<u>1979</u> £
British Steel Corporation and its subsidiaries	42,490,902.	43,314,426
Home	38,830,051	28,995,604
Export	<u>12,138,952</u>	<u>9,585,927</u>
Total turnover to outside customers	<u>93,459,905</u>	<u>81,895,957</u>
 2. <u>Trading Profit</u>	 <u>1980</u> £	 <u>1979</u> £
Profit before taxation is stated after crediting:		
Depreciation written back on reliving fixed assets	-	5,599
Regional Development and other grants release (General Note V)	82,207	66,060
Interest receivable and other income (note 4)	860,177	490,726
and charging:		
Depreciation (general note VII)	1,856,872	1,274,290
Hire of Plant and Machinery	310,231	272,395
Interest Payable (note 5)	600,000	300,000
Directors' emoluments (note 3): for management	21,007	33,320
Auditors' remuneration, including expenses	12,522	12,730

3. Emoluments of Directors and Employees

Particulars of emoluments of the directors of the company disclosed in accordance with Section 6 of the Companies Act 1967 are as follows:-

	<u>1980</u> £	<u>1979</u> £
Emoluments of the Chairman	NIL	NIL
Emoluments of the highest paid Director	17,951	16,139
Number of other Directors who receive emoluments within the range of:-		
£0 - £5,000	1	1
£10,001 - £15,000	-	1

Mr.D.G.S. Waterstone was employed by the British Steel Corporation for the whole of his time in office and his emoluments were paid by the Corporation.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

4. Interest Receivable and Other Income (general note XIII)

	<u>1980</u>	<u>1979</u>
	£	£
Interest Receivable:		
External	858,191	488,920
Dividend receivable on investment in unquoted company	<u>1,986</u>	<u>1,806</u>
	<u>860,177</u>	<u>490,726</u>

5. Interest Payable

	<u>1980</u>	<u>1979</u>
	£	£
British Steel Corporation	<u>600,000</u>	<u>300,000</u>

6. Taxation (General Note XI)

The charge for taxation in the accounts represents Corporation Tax at 52% on the profit of the subsidiary and the attributable profits of associated companies as follows:-

	<u>1980</u>		<u>1979</u>	
	<u>Ass. Company</u>	<u>Subsidiary</u>	<u>Ass. Company</u>	<u>Subsidiary</u>
	£	£	£	£
U.K. Corporation Tax	113,480	62,102	48,048	(179,678)
Deferred Taxation	<u>(324,018)</u>	<u>186,000</u>	<u>57,675</u>	<u>383,000</u>
	(210,538)	248,102	105,723	203,322
		<u>(210,538)</u>		<u>105,723</u>
		<u>37,564</u>		<u>309,045</u>

The company's taxation charge for the 52 weeks has been reduced by £1,013,000 being the benefit of taxation losses at a rate of 52% surrendered by British Steel Corporation without charge.

7. Extraordinary Item (general note IV)

	<u>1980</u>	<u>1979</u>
	£	£
Write down of fixed assets	<u>18,104,428</u>	<u>-</u>

8. Dividends

	<u>1980</u>	<u>1979</u>
	£	£
Paid	69,948	14,498
Proposed	<u>-</u>	<u>5,663,723</u>
	<u>69,948</u>	<u>5,678,221</u>

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

9. Fixed Assets

	LAND AND BUILDINGS			PLANT, MACHINERY, EQUIPMENT & VEHICLES	BUILDINGS AND PLANT IN COURSE OF CONSTRUCTION	TOTAL
	FREEHOLD	LONG LEASEHOLD	SHORT- LEASEHOLD			
<u>THE COMPANY AND ITS SUBSIDIARY</u>						
<u>GROSS BOOK VALUE</u>						
BALANCE AT 1ST APRIL, 1979						
COST	2,480,895	-	108,035	32,030,725	18,710,456	53,330,111
VALUATION 1933	32,278	-	-	-	-	32,278
VALUATION 1937	104,981	-	2,500	160,216	-	267,697
	2,618,154	-	110,535	32,190,941	18,710,456	53,630,086
TRANSFERS FROM BUILDINGS AND PLANT IN COURSE OF CONSTRUCTION	417,806	-	-	2,873,631	(3,291,437)	-
ADDITIONS	85,003	-	-	1,598,974	9,923,709	11,607,686
TRANSFERS (TO)/FROM BRITISH STEEL CORPORATION	-	-	-	-	-	-
DISPOSALS	-	-	-	(226,932)	-	(226,932)
RECLASSIFICATIONS	194,494	-	(1)	(198,480)	3,987	-
BALANCE AT 29TH MARCH, 1980	3,315,457	-	110,534	36,238,134	25,346,715	65,010,840
COST	3,178,198	-	108,034	36,077,918	25,346,715	64,710,865
VALUATION 1933	32,278	-	-	-	-	32,278
VALUATION 1937	104,981	-	2,500	160,216	-	267,697
	3,315,457	-	110,534	36,238,134	25,346,715	65,010,840
<u>DEPRECIATION</u>						
BALANCE AT 1ST APRIL, 1979	1,486,076	-	87,970	12,531,910	-	14,105,956
WRITE DOWN OF FIXED ASSETS (GENERAL NOTE IV)	74,184	-	-	611,394	19,586,601	20,272,179
CHARGE FOR THE FIFTY TWO WEEKS	102,355	-	3,633	1,750,884	-	1,856,872
TRANSFER (TO)/FROM BRITISH STEEL CORPORATION	-	-	-	-	-	-
DISPOSALS	-	-	-	(165,017)	-	(165,017)
RECLASSIFICATIONS	8,396	-	-	(8,396)	-	-
BALANCE AT 29TH MARCH, 1980	1,671,011	-	91,603	14,720,775	19,586,601	36,069,990
NET BOOK VALUE AT 29TH MARCH, 1980	1,644,446	-	18,931	21,517,359	5,760,114	28,940,850
NET BOOK VALUE AT 1ST APRIL, 1979	1,132,078	-	22,565	19,659,031	18,710,456	
LOOSE PLANT AND TOOLS AT COST LESS AMOUNTS WRITTEN OFF (1979 - £43,513)						39,802
						28,980,652

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

9. Fixed Assets (Continued)

	LAND AND BUILDINGS			PLANT, MACHINERY, EQUIPMENT & VEHICLES	BUILDINGS AND PLANT IN COURSE OF CONSTRUCTION	TOTAL
	FREEMOLD	LONG LEASEHOLD	SHORT LEASEHOLD			
THE COMPANY						
<u>GROSS BOOK VALUE</u>						
BALANCE AT 1ST APRIL, 1979	2,369,389	-	52,222	29,706,536	18,710,456	50,838,603
COST	32,278	-	-	-	-	32,278
VALUATION 1933	104,981	-	2,500	160,216	-	267,697
VALUATION 1937	2,506,648	-	54,722	29,866,752	18,710,456	51,138,578
TRANSFERS FROM BUILDINGS AND PLANT IN COURSE OF CONSTRUCTION	417,806	-	-	2,873,631	(3,291,437)	-
ADDITIONS	63,163	-	-	1,120,296	9,923,709	11,107,168
TRANSFERS (TO)/FROM BRITISH STEEL CORPORATION	-	-	-	(213,726)	-	(213,726)
DISPOSALS	-	-	-	(198,480)	3,987	-
RECLASSIFICATIONS	194,494	-	(1)	-	-	-
BALANCE AT 29TH MARCH, 1980	3,182,111	-	54,721	33,448,473	25,346,715	62,032,020
COST	3,044,852	-	52,221	33,288,257	25,346,715	61,732,045
VALUATION 1933	32,278	-	-	-	-	32,278
VALUATION 1937	104,981	-	2,500	160,216	-	267,697
	3,182,111	-	54,721	33,448,473	25,346,715	62,032,020
<u>DEPRECIATION</u>						
BALANCE AT 1ST APRIL, 1979	1,454,789	-	54,064	11,641,663	-	13,150,516
WRITE DOWN OF FIXED ASSETS (GENERAL NOTE IV)	74,184	-	-	611,394	19,586,601	20,272,179
CHARGE FOR THE FIFTY TWO WEEKS	94,511	-	146	1,583,723	-	1,678,380
TRANSFERS (TO)/FROM BRITISH STEEL CORPORATION	-	-	-	(160,616)	-	(160,616)
DISPOSALS	-	-	-	(8,396)	-	-
RECLASSIFICATIONS	8,396	-	-	-	-	-
BALANCE AT 29TH MARCH, 1980	1,631,880	-	54,210	13,667,768	19,586,601	34,940,459
NET BOOK VALUE AT 29TH MARCH, 1980	1,550,231	-	511	19,780,705	5,760,114	27,091,561
NET BOOK VALUE AT 1ST APRIL, 1979	1,051,859	-	658	18,225,089	18,710,456	-
LOOSE PLANT AND TOOLS AT COST LESS AMOUNTS WRITTEN OFF (1979 - £43,513)						39,803
						27,131,364

The gross book value of capital expenditure on the company's assets still in use, but now fully written off, amounted at 29th March, 1980 to £7,191,089.
(1979 - £7,466,470)

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

10. Future Capital Expenditure

	<u>The Company</u>		<u>The company and its subsidiary</u>	
	<u>1980</u> £	<u>1979</u> £	<u>1980</u> £	<u>1979</u> £
Commitments in respect of contracts placed	5,603,000	4,677,000	5,758,492	5,255,851
Amounts approved in addition to commitments	<u>8,164,000</u>	<u>12,797,000</u>	<u>8,164,593</u>	<u>12,797,000</u>
	<u>13,767,000</u>	<u>17,474,000</u>	<u>13,923,085</u>	<u>18,052,831</u>

Under present legislation regional development and other grants will be receivable in respect of part of this future capital expenditure.

11. Investment in Subsidiary

	<u>1980</u> £	<u>1979</u> £
Shares at cost	<u>264,213</u>	<u>264,213</u>

The subsidiary company is Bitmac Limited which is incorporated in Great Britain. The company owns 50.20% of the issued ordinary share capital.

12. Associated Companies and Trade Investments

(a)	<u>The Company</u>		<u>The company and its subsidiary</u>	
	<u>1980</u> £	<u>1979</u> £	<u>1980</u> £	<u>1979</u> £
Associated companies (General Note II):				
Equity Share Capital at Cost	300,925	299,925	300,925	299,925
Loans (including interest receivable) less amounts written off	<u>5,574,794</u>	<u>4,168,251</u>	<u>5,574,794</u>	<u>4,168,251</u>
	<u>5,875,719</u>	<u>4,468,176</u>	<u>5,875,719</u>	<u>4,468,176</u>
Share of retained profit	<u>-</u>	<u>-</u>	<u>1,267,671</u>	<u>1,470,075</u>
	<u>5,875,719</u>	<u>4,468,176</u>	<u>7,143,390</u>	<u>5,938,251</u>
Trade Investments:				
Equity Share Capital at Cost	<u>9,086</u>	<u>9,086</u>	<u>14,088</u>	<u>14,088</u>
	<u>5,884,805</u>	<u>4,477,262</u>	<u>7,157,478</u>	<u>5,952,339</u>

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

12. (Continued)

(b) Details of investments in associated companies are as follows:-

<u>Investment</u>	<u>Country of Incorporation</u>	<u>% ordinary share capital held</u>
Staveley Chemicals Ltd. ("S.C.L.")	Great Britain	45%
Britflex Resin Systems Ltd.	Great Britain	50%

In the directors' opinion, the value of the company's investments in its associated companies is equal to their book value.

During the year the company disposed of its 45% interest in Phthalic Anhydride Chemicals Ltd. to S.C.L. at book value.

(c) The investment in the following companies (which are regarded as trade investments) exceeds 10%.

<u>Investments held by the company</u>	<u>Country of Incorporation</u>	<u>% ordinary share capital held</u>
Benzole Producers Limited	Great Britain	26%
Creosote Producers Association Limited	Great Britain	44%
<u>Investment held by the Subsidiary</u>		
Barworth (Haulage) Limited	Great Britain	33%

The results and assets of these companies are immaterial in relation to the company and its subsidiary.

In the directors' opinion, the value of the trade investments is equal to their book value.

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS
Fifty-two weeks ended 29th March, 1980

13. Net Current Assets

	<u>The Company</u>		<u>The Company and its subsidiary</u>	
	<u>1980</u> £	<u>1979</u> £	<u>1980</u> £	<u>1979</u> £
<u>Current Assets:</u>				
Stocks and work in progress (Note 14)	15,521,284	10,558,236	16,124,960	10,947,306
Regional Development and Other Grants receivable	378,564	999,914	378,564	999,914
Debtors	7,701,987	5,209,427	8,814,134	5,723,463
Current Accounts with Subsidiary	492,450	117,960	-	-
Current accounts with British Steel Corporation and fellow subsidiaries.	(409,708)	4,014,215	(441,397)	3,976,774
Cash and Bank Balance	5,022	4,492	216,900	293,013
	<u>23,689,599</u>	<u>20,904,244</u>	<u>25,093,161</u>	<u>21,940,470</u>
<u>Current Liabilities and Provisions:</u>				
Creditors	7,916,098	7,779,691	8,316,291	8,044,703
Creditors for capital expenditure	3,725,378	3,141,210	3,725,378	3,141,210
Current Taxation	-	-	40,026	20,457
	<u>11,641,476</u>	<u>10,920,901</u>	<u>12,081,695</u>	<u>11,206,370</u>
Net Current Assets	<u>12,048,123</u>	<u>9,983,343</u>	<u>13,011,466</u>	<u>10,734,100</u>

14. Stocks and Work in Progress

	<u>The Company</u>		<u>The Company and its Subsidiary</u>	
	<u>1980</u> £	<u>1979</u> £	<u>1980</u> £	<u>1979</u> £
Raw Materials	2,646,944	2,555,113	2,990,704	2,756,314
Process Materials	2,163,214	2,065,688	2,163,214	2,065,688
Finished Products	8,532,825	3,947,986	8,792,741	4,135,855
General Stores	2,178,301	1,989,449	2,178,301	1,989,449
	<u>15,521,284</u>	<u>10,558,236</u>	<u>16,124,960</u>	<u>10,947,306</u>

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

15. <u>Share Capital</u>	<u>Authorised</u> <u>1980 and 1979</u> <u>£</u>	<u>Issued</u> <u>1980 and 1979</u> <u>£</u>
15,000,000 ordinary shares of £1 each	15,000,000	
12,500,000 ordinary shares of £1 each fully paid		12,500,000
2,500,000 ordinary shares of £1 each 1 p. paid		25,000
	<u>15,000,000</u>	<u>12,525,000</u>

16. Capital Reserve

The capital reserve represents the excess of attributable net assets over the purchase price of certain shares in the subsidiary.

17. Retained Profit

	<u>The Company</u> <u>£</u>	<u>Subsidiary</u> <u>£</u>	<u>Associated</u> <u>Companies</u> <u>£</u>	<u>The Group</u> <u>£</u>
At 1st April, 1979	-	440,409	1,470,075	1,910,484
(Loss)/Profit for year				
Retained	<u>(8,986,299)</u>	<u>169,927</u>	<u>(202,404)</u>	<u>(9,018,776)</u>
	<u>(8,986,299)</u>	<u>610,336</u>	<u>1,267,671</u>	<u>(7,108,292)</u>

18. Deferred Taxation

Deferred taxation shown in the consolidated balance sheet comprises Corporation Tax at current rates on the following deferred liabilities of the subsidiary:-

	<u>1980</u> <u>£</u>	<u>1979</u> <u>£</u>
Excess of book value of fixed assets over corresponding tax values	877,000	714,000
Stock appreciation relief	165,000	142,000
	<u>1,042,000</u>	<u>856,000</u>
<u>Less:</u> Advance Corporation Tax recoverable	<u>15,000</u>	<u>15,647</u>
	<u>1,027,000</u>	<u>840,353</u>

Under the arrangements set out in general note XI, no provision for deferred taxation is required in the accounts of the company, Corporation Tax calculated at the rate of 52% on the excess of the book value of fixed assets over corresponding tax values, stock appreciation relief and timing differences in relation to interest receivable from associated companies, amounts to £Nil (1979 - £4.8 million).

BRITISH STEEL CORPORATION (CHEMICALS) LIMITED AND ITS SUBSIDIARY

NOTES ON THE ACCOUNTS

Fifty-two weeks ended 29th March, 1980

19. Contingent Liabilities

	<u>The Company</u> <u>1980 and 1979</u>	<u>The company and</u> <u>its subsidiary</u> <u>1980 and 1979</u>
	£	£
Guarantee given in respect of bank overdrafts of associated companies.	100,000	110,000

Report of the Auditors - Pages 3 and 4.