

**CORUS LARGE DIAMETER PIPES LIMITED**  
(Formerly British Steel Large Diameter Pipes Limited)

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE PERIOD ENDED 1 APRIL 2000**



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**CORUS LARGE DIAMETER PIPES LIMITED**  
(Formerly British Steel Large Diameter Pipes Limited)  
**A WHOLLY OWNED SUBSIDIARY OF Corus Group plc**

Directors                      T.G. Wheeler  
                                     D.G. Glover  
                                     British Steel Directors Nominees Limited

Secretary                     Allison Leigh Scandrett

Registered Office            15, Great Marlborough Street,  
                                     London  
                                     W1F 7AS

Registered in:                England

Company Number            2800358

Bankers                        Lloyds Bank plc  
                                     City Branch  
                                     24 Cornhill  
                                     LONDON  
                                     EC3P 3HA

Auditors                        PricewaterhouseCoopers  
                                     Central Business Exchange  
                                     Midsummer Boulevard  
                                     CENTRAL MILTON KEYNES  
                                     MK9 2DF

**CORUS LARGE DIAMETER PIPES LIMITED**  
(Formerly British Steel Large Diameter Pipes Limited)  
**REPORT OF THE DIRECTORS**  
**FOR THE PERIOD ENDED 1 APRIL 2000**

The Directors present herewith their report and audited financial statements for the Company for the 52 week period ended 1 April 2000. With effect from 31st March, 2000, all assets, liabilities and operations of the Company were transferred to Corus UK Limited.

**1 Change of Name**

The Company changed its name from British Steel Large Diameter Pipes Limited to Corus Large Diameter Pipes Limited on 17th April, 2000.

**2 Principal Activities**

The principal activities of the Company are the manufacture and sale of steel tube and ancillary products.

**3 Review of Business and Future Developments**

The level of business during the period and the period end financial position were both broadly in line with forecasts. With effect from 1st April, 2000, all assets and liabilities of the Company were transferred to the parent company, Corus UK Limited at net book value.

**4 Financial Results**

The Company made a loss after taxation of £(7,642,000) in the period, and the details are set out in the Profit and Loss Account on page 7.

**5 Dividend**

The Directors do not recommend the payment of a dividend. (1999: £Nil)

**6 Directors**

The Directors of the Company at 1 April 2000, who have been directors for the whole of the 52 week period ended on that date, are listed on Page 1.

**7 Employees**

Responsibility for the employees of the Company passed to Corus UK Limited on 31st March, 2000.

## 8 Directors' Interests in Shares in the Group

The Directors had the following interests in the ordinary shares of Corus Group plc, the Company's ultimate holding Company, at 1 April 2000. They have been directors for the whole of the 52 week period ended on that date. Their options were converted from their interests in British Steel plc on 6th October, 1999.

|                        | Number of Shares (British Steel plc) |                       |                  | No. Shares (Corus Group plc) |                         |                   |
|------------------------|--------------------------------------|-----------------------|------------------|------------------------------|-------------------------|-------------------|
|                        | at 3 Apr<br>1999                     | Granted to<br>6/10/99 | at 6 Oct<br>1999 | at 6 Oct<br>1999             | Granted<br>from 6/10/99 | at 01 Apr<br>2000 |
| <b>Mr D.G. Glover</b>  |                                      |                       |                  |                              |                         |                   |
| Ordinary Shares        | 0                                    | 0                     | 0                | 0                            | 0                       | 0                 |
| Options - Executive    | 10,100                               | 20,700                | 30,800           | 39,340                       | 50,200                  | 89,540            |
| Options - Sharesave    | 9,159                                | 0                     | 9,159            | 11,697                       | 0                       | 11,697            |
| <b>Mr T.G. Wheeler</b> |                                      |                       |                  |                              |                         |                   |
| Ordinary Shares        | 12,000                               | 0                     | 12,000           | 12,000                       | 0                       | 12,000            |
| Options - Executive    | 78,900                               | 55,600                | 134,500          | 171,795                      | 112,200                 | 283,995           |
| Options - Sharesave    | 11,496                               | 0                     | 11,496           | 14,683                       | 0                       | 14,683            |

No options were exercised during the 52 week period.

The directors had no interest, as defined by the Companies Act 1985, in the shares of the Company or any other member of the group during the period covered by these financial statements.

## 9 Holding of Share Capital

All the shares in the Company are held by Corus UK Limited or its nominees.

## 10 Payment to Creditors

It is the policy of the Company to establish terms of payment with suppliers when agreeing the terms of business transactions. The aim is to despatch 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.

## 11 Taxation Status

As far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial period.

## 12 Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :-

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.

2000-2001

- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 13 European Monetary Union

The Company is aware of the implications of the European Monetary Union for their information systems and other aspects of their operations. Local management is responsible for ensuring that any necessary systems modifications and other initiatives are planned and completed within the time available and this process is under way. In the context of ongoing systems, it is not expected that significant expenditure will be incurred to ensure compliance with the necessary requirements.

By order of the Board.



AL SCANDRETT  
Company Secretary

Date: 12 January 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**CORUS LARGE DIAMETER PIPES LIMITED**

(Formerly British Steel Large Diameter Pipes Limited)

We have audited the financial statements on pages 7 to 16 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 9 to 11.

**Respective responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.



Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 1 April 2000 and of its loss for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Central Milton Keynes

Date *15 January 2001* .....

**CORUS LARGE DIAMETER PIPES LIMITED**  
 (Formerly British Steel Large Diameter Pipes Limited)  
**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 1 APRIL 2000**

|   | Notes | £000s          |              |
|---|-------|----------------|--------------|
|   |       | 2000           | 1999         |
| Turnover - continuing operations                                    | 2     | 30,976         | 91,524       |
| Operating Costs - continuing operations                             | 5     | (38,647)       | (92,489)     |
| <b>Trading (Loss)/Profit on Ordinary Activities before Taxation</b> |       | <b>(7,671)</b> | <b>(965)</b> |
| Tax on (Loss)/Profit on Ordinary Activities                         | 7     | 29             | 339          |
| <b>Retained (Loss)/Profit for the period</b>                        |       | <b>(7,642)</b> | <b>(626)</b> |
| Retained Profit/(Loss) brought forward                              |       | 882            | 1,508        |
| <b>Retained Profit/(Loss) carried forward</b>                       |       | <b>(6,760)</b> | <b>882</b>   |

The Company has no recognised gains or losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

**CORUS LARGE DIAMETER PIPES LIMITED**  
**(Formerly British Steel Large Diameter Pipes Limited)**  
**BALANCE SHEET AT 1 APRIL 2000**

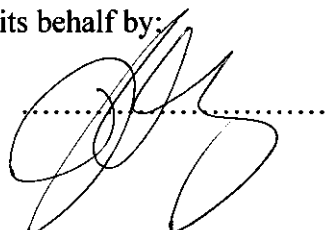
|  | Notes | £000s  |         |
|--|-------|--------|---------|
|  |       | 2000   | 1999    |
| <b>Tangible Fixed Assets</b>                         | 8     | 0      | 34,913  |
| <b>Current Assets</b>                                |       |        |         |
| Stocks   | 9     | 0      | 8,717   |
| Debtors  | 10    | 43,185 | 10,329  |
|  |       | 43,185 | 19,046  |
| <b>Creditors</b> Amounts falling due within one year | 11    | 0      | (3,103) |
| <b>Net Current Assets</b>                            |       | 43,185 | 15,943  |
| <b>Total Assets less Current Liabilities</b>         |       | 43,185 | 50,856  |
| Provisions for liabilities and charges               | 12    | 0      | (29)    |
| <b>NET ASSETS</b>                                    |       | 43,185 | 50,827  |

|                                   |    |         |        |
|-----------------------------------|----|---------|--------|
| <b>Capital and Reserves</b>       |    |         |        |
| Called up Share Capital           | 14 | 0       | 0      |
| Share Premium Account             | 15 | 49,945  | 49,945 |
| Profit and Loss Account           | 15 | (6,760) | 882    |
| <b>EQUITY SHAREHOLDERS' FUNDS</b> | 16 | 43,185  | 50,827 |

The financial statements on pages 7 to 16 were approved by the Board of Directors on 12<sup>th</sup> January.....2001 and were signed on its behalf by:

D.G. Glover



**CORUS LARGE DIAMETER PIPES LIMITED**  
(Formerly British Steel Large Diameter Pipes Limited)  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED**  
**1 April 2000**

**1 Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently is set out below.

(a) Accounting Convention

These financial statements have been prepared under the historical cost convention.

(b) Turnover

Sales to European Community member and Associate member countries represents the invoiced value of goods and services supplied, including delivery charges. Sales to other export customers are at Free on Board prices. VAT is excluded from turnover.

(c) Foreign Currency Translation

On receipt of a sales order, the value of which is to be invoiced in a foreign currency, it is Company policy to enter into a forward currency contract for the expected proceeds. Accordingly, sales invoices and debtors expressed in foreign currencies are translated into sterling at the relevant forward contract rates, except for inter company debtors which are translated at the period end rate. Foreign exchange differences are taken to the profit and loss account as incurred.

(d) Stocks and Work in Progress

Stocks are valued at the lower of cost and net realisable value. For the valuation of work in progress and finished goods, cost includes all direct production costs and an appropriate proportion of overheads.

Where necessary, provision is made for obsolete, slow moving and defective stock.

(e) Tangible Fixed Assets and Depreciation

Tangible fixed assets are recorded at original cost less accumulated depreciation. In the case of assets constructed by the Company, related works and administrative overheads are included in the cost.

Commissioning costs and interest attributable to expenditure on assets in the 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 Company 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. Also included are 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.

Depreciation is provided so as to write off, on a straight line basis, the net book value of tangible fixed assets including those held under finance leases. They are depreciated from the dates they are brought into use over their estimated useful lives or, in the case of leased assets, over the lease period if shorter. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation is provided where an asset is expected to become obsolete before the end of its normal useful life. 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:

Plant, Equipment and Machinery      Maximum 15 years

(f) Deferred Taxation

Deferred taxation is accounted for, using the liability method, in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

(g) Pension Scheme Arrangements

The Company contributes to a group pension scheme operated by Corus UK Limited. Contributions and pension costs are based on pension costs across the group as a whole. The expected 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 the 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.

(h) Cash Flow Statement

The Company is a wholly owned subsidiary of Corus UK Limited and the cash flows of the Company are included in the consolidated group cash flow statement of Corus Group plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard number 1 from publishing a cash flow statement.

2 Turnover

The geographical market analysis of turnover by destination is set out below :

|   | £000s         |               |
|---|---------------|---------------|
|   | 2000          | 1999          |
| United Kingdom (incl. UK Continental Shelf) | 28,203        | 69,155        |
| European Union (excluding UK)               | 809           | 2,832         |
| Europe (excluding EU)                       | 196           | 345           |
| North America                               | 38            | 12,612        |
| South America                               | 268           | 297           |
| Africa                                      | 442           | 1,277         |
| Asia  | 1,020         | 5,006         |
| <b>TOTAL</b>                                | <b>30,976</b> | <b>91,524</b> |

The directors consider that the Company's activities constitute a single class of business.

### 3 Directors Emoluments

No Director received any emoluments in respect of services to this Company.

### 4 Employee Information

The average weekly number of persons employed during the period was 241.(1999: 315)

|             |            | 2000   | 1999   |
|-------------|------------|--------|--------|
|             |            | Number | Number |
| By Activity | Production | 241    | 315    |

|  |                       | £000s | £000s |
|--|-----------------------|-------|-------|
| Staff Costs<br>(for the above persons) | Wages and Salaries    | 4,558 | 5,920 |
|  | Social Security Costs | 328   | 515   |
|  | Other Pension Costs   | 212   | 206   |
| TOTAL                                  |                       | 5,098 | 6,641 |

### 5 Operating Costs

|   |  | £000s  |        |
|---|--|--------|--------|
|   |  | 2000   | 1999   |
| Raw Materials and Consumables                           |  | 20,324 | 54,078 |
| Maintenance Costs (excluding own labour)                |  | 2,984  | 3,406  |
| Other External Charges                                  |  | 2,643  | 4,473  |
| Employment Costs (note 4)                               |  | 5,098  | 6,641  |
| Depreciation  |  | 2,287  | 2,249  |
| Other Operating Costs                                   |  | 5,145  | 6,542  |
| Changes in Stock of Finished Goods and Work in Progress |  | 166    | 15,100 |
| TOTAL   |  | 38,647 | 92,489 |

### 6 Trading (Loss)/Profit on Ordinary Activities before Taxation

The trading profit/(loss) on ordinary activities before taxation is stated after charging:

|                        |  | £000s |      |
|------------------------|--|-------|------|
|                        |  | 2000  | 1999 |
| Auditors' Remuneration |  | 10    | 25   |

Depreciation on tangible owned fixed assets was £2,287,000. (1999: £2,249,000).

## 7 Tax on (Loss)/Profit on Ordinary Activities

The tax charge/(credit) is based on the loss on ordinary activities for the period and comprises :

|                                       | £000s       |              |
|---------------------------------------|-------------|--------------|
|                                       | 2000        | 1999         |
| United Kingdom Corporation Tax at 31% | 0           | (232)        |
| Prior Year Taxation Credit            | 0           | (107)        |
| Deferred Taxation                     | (29)        | 0            |
| <b>TOTAL</b>                          | <b>(29)</b> | <b>(339)</b> |

## 8 Tangible Fixed Assets

|                                | £000's                      |                     |                                 | TOTAL    |
|--------------------------------|-----------------------------|---------------------|---------------------------------|----------|
|                                | Land and Buildings Freehold | Plant and Machinery | Assets in Course of onstruction |          |
| <b>Cost at 3 Apr 1999</b>      | 0                           | 48,959              | 0                               | 48,959   |
| Transfers from Group Companies | 0                           | 0                   | 0                               | 0        |
| Additions                      | 0                           | 0                   | 269                             | 269      |
| Disposals                      | 0                           | 0                   | 0                               | 0        |
| Transfers/Other Movements      | 0                           | (48,959)            | (269)                           | (49,228) |
| <b>Cost at 1 April 2000</b>    | 0                           | 0                   | 0                               | 0        |

|                                     |   |          |   |          |
|-------------------------------------|---|----------|---|----------|
| <b>Depreciation at 3 Apr 1999</b>   | 0 | 16,723   | 0 | 16,723   |
| Transfers from Group Companies      | 0 | (19,010) | 0 | (19,010) |
| Charge for Period                   | 0 | 2,287    | 0 | 2,287    |
| Disposals                           | 0 | 0        | 0 | 0        |
| <b>Depreciation at 1 April 2000</b> | 0 | 0        | 0 | 0        |

|  |                     |   |
|--|---------------------|---|
| <b>Net Book Value at 1 April 2000</b>        | (1999: £32,236,000) | 0 |
| <b>Loose Plant, Tools &amp; Spares (NBV)</b> | (1999: £2,677,000)  | 0 |
| <b>TOTAL FIXED ASSETS</b>                    | (1999: £34,913,000) | 0 |

Loose plant and spares are shown at net book value. Due to the substantial number and many variations in their useful lives, it is impractical to give the details of movements normally disclosed in respect of tangible fixed assets.

There was no capital expenditure contracted for at 1 April 2000. (1999: £Nil).



9 **Stocks**

|                                     | £000s    |              |
|-------------------------------------|----------|--------------|
|                                     | 2000     | 1999         |
| Raw Materials and Consumables       | 0        | 924          |
| Work in Progress                    | 0        | 1,231        |
| Finished Goods and Goods for Resale | 0        | 6,562        |
| <b>TOTAL STOCKS</b>                 | <b>0</b> | <b>8,717</b> |

10 **Debtors**

|  | £000s         |               |
|--|---------------|---------------|
|  | 2000          | 1999          |
| <b><u>Amounts falling due after one year:</u></b>  |               |               |
| Prepaid Pension Costs                              | 0             | 97            |
| <b><u>Amounts falling due within one year:</u></b> |               |               |
| Trade Debtors                                      | 0             | 7,423         |
| UK Corporation Tax                                 | 0             | 256           |
| Other Debtors                                      | 0             | 30            |
| Amounts due from fellow subsidiary undertakings    | 43,185        | 2,096         |
| Other taxation and social security payable         | 0             | 427           |
| <b>TOTAL DEBTORS</b>                               | <b>43,185</b> | <b>10,329</b> |

11 **Creditors**

|  | £000s    |              |
|--|----------|--------------|
|  | 2000     | 1999         |
| <b><u>Amounts falling due within one year:</u></b> |          |              |
| Trade Creditors                                    | 0        | 2,689        |
| Amounts owed to fellow subsidiary undertakings     | 0        | 0            |
| UK Corporation Tax                                 | 0        | 0            |
| Other Creditors                                    | 0        | 414          |
| <b>TOTAL CREDITORS</b>                             | <b>0</b> | <b>3,103</b> |

## 12 Provision for Liabilities and Charges

|   | £000's          |             |                   |                |
|---|-----------------|-------------|-------------------|----------------|
|   | Amount Provided |             | Amount Unprovided |                |
|   | 2000            | 1999        | 2000              | 1999           |
| <b><u>Tax effect of timing differences due to:-</u></b> |                 |             |                   |                |
| Accelerated Capital Allowances                          | 0               | 0           | 0                 | (7,896)        |
| Other timing differences                                | 0               | (29)        | 0                 | 0              |
| <b>TOTAL</b>  | <b>0</b>        | <b>(29)</b> | <b>0</b>          | <b>(7,896)</b> |

## 13 Pension Obligations

The Company participated in a group pension scheme operated by Corus UK Ltd - "The Scheme". This is a defined benefit scheme providing benefits based on final pay and service at retirement. The Scheme is operated under trust and its assets are invested independently of the group. The Scheme was established on 1 October 1990 and members of the previous Scheme transferred their benefits into it.

Particulars of the valuations are contained in the financial statements of Corus UK Limited.

The pension costs to the Company for the period ended 1 April 2000 amounted to £211,849. (1999: £206,183)

## 14 Share Capital

### Authorised

1,000 Deferred Shares of £1 each  
 20 'A' Ordinary Shares of DM1 each  
 80 'B' Ordinary Shares of DM 1 each

| £s              |                 |
|-----------------|-----------------|
| 2000            | 1999            |
| 1,000.00        | 1,000.00        |
| 9.08            | 9.08            |
| 34.92           | 34.92           |
| <b>1,044.00</b> | <b>1,044.00</b> |

Allotted, called up and fully paid

2 Deferred Shares of £1 each  
10 'A' Ordinary Shares of DM1 each  
80 'B' Ordinary Shares of DM1 each

| £s   |      |
|------|------|
| 2000 | 1999 |

|       |       |
|-------|-------|
| 2.00  | 2.00  |
| 4.54  | 4.54  |
| 34.92 | 34.92 |
| 41.46 | 41.46 |

The deferred shares are non voting, and are redeemable at their par value at any time at the company's option.

15 **Share Premium Account and Reserves**

|                            | Share<br>Premium<br>Account<br>£000's | Profit &<br>Loss<br>Account<br>£000's |
|----------------------------|---------------------------------------|---------------------------------------|
| At 3 Apr 1999              | 49,945                                | 882                                   |
| Retained (Loss) for period | 0                                     | (7,642)                               |
| At 1 April 2000            | 49,945                                | (6,760)                               |

16 **Reconciliation of movement in shareholders' funds.**

|  | £000s   |        |
|--|---------|--------|
|  | 2000    | 1999   |
| Opening Shareholders' Funds            | 50,827  | 51,453 |
| (Loss)/Profit for the Financial Period | (7,642) | (626)  |
| Closing Shareholders' Funds            | 43,185  | 50,827 |

17 **Related Party Transactions**

Disclosure of related party transactions is not included, as the Company is a wholly owned subsidiary of a Company, which prepares consolidated financial statements, whose accounts are publicly available, and therefore exempt under the terms of FRS 8.

18 **Ultimate Holding Company**

The Company is a wholly owned subsidiary of Corus UK Limited, whose parent company is Corus Group plc. Both Corus UK Limited and Corus Group plc are registered in England and incorporated in England and Wales. Copies of the parent's consolidated financial statements may be obtained from :

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