



Report & Accounts 2006

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Operational and financial highlights

Year ended 30 December 2006	2006 £m	2005 £m	2004 £m
Turnover	9,733	9,155	8,373
Group operating profit	457	643	617
Operating profit before restructuring and impairment costs and profit on disposals	449	673	585
Profit before taxation	313	548	527
Profit after taxation	229	451	441
Earnings per share – continuing operations	21.01p	48.14p	46.40p
Net debt at end of period	(564)	(821)	(842)

Highlights

- Group operating profit of £457m
- Operating profit before restructuring and impairment costs and profit on disposals of £449m
- Restoring Success programme has underpinned the financial results
- Profit after taxation of £229m
- Earnings per share from continuing operations of 21.01p (prior years restated for 5 for 1 share issue)
- Net debt reduced to £564m, gearing ratio of 15%

Chairman's statement

2006: An important milestone

In my statement last year, I indicated that 2006 would be an important year for Corus in a number of ways. Over this period we have reported the sale of our aluminium rolled products and extrusions businesses for approximately £564m; the completion of our three year Restoring Success plan; and finally, the sale of Corus to Tata Steel of India, creating the world's fifth largest steel company, securing a global presence with access to low-cost steelmaking and high-growth markets.

Completion of Restoring Success

Our Restoring Success plan was launched in 2003 to turn Corus' performance around and realise its true potential. Over the last three years, this programme has played an important role in underpinning the financial performance of the Group. In 2006, Corus generated an operating profit of £457m (2005: £643m) against a background of difficult market conditions, as significant increases in raw material costs could not be fully recovered through higher selling prices. The successful completion of the Restoring Success plan brought to an end the first phase of the transformation of the company into one that could deliver sustainable earnings over the longer-term.

These improvements could not have been achieved without the support and commitment of the entire management team and the contribution of all Corus employees. On behalf of the Board, I thank everyone for this commitment, support and hard work over the last three years.

Beyond Restoring Success: The Corus Way

When Restoring Success was launched in 2003, my Board also recognised that beyond the immediate and essential need to improve the financial and all round performance of Corus, we would also need to consider the longer-term future for the Company.

The completion of the sale of Corus' downstream aluminium assets in August 2006 was an important step in the Company's strategy to focus and develop its carbon steel businesses, in addition to further strengthening the balance sheet.

In August 2005, the Board set out in outline form how it intended to take Corus forward, beyond Restoring Success. It determined that Corus needed to look beyond Western Europe, to those parts of the world where the Company could have access to iron ore and lower cost steel production to support the future cost competitiveness of its European asset base, together with opportunities in higher growth markets.

The Company held talks with a number of companies from Brazil, Russia and India who held strategic positions which my Board had determined were essential for long term success. The culmination of these talks was cash offers being made for Corus by both Tata Steel of India and CSN of Brazil, through 'Schemes of Arrangements'.

After an auction process overseen by the UK Takeover and Merger Panel, Tata Steel's final offer of 608p per share was unanimously recommended by my Board and overwhelmingly approved by shareholders at an Extraordinary General Meeting (EGM) on 7 March 2007. The takeover was subsequently approved by the courts and the transaction completed on 2 April 2007.

During this process the Board had twin objectives; to secure the best value for our shareholders and to ensure the best strategic future for the business. With Tata Steel, we have delivered both.

Corporate Social Responsibility

Both Corus and Tata Steel take their corporate responsibilities very seriously, both to local communities and the impact their operations have on the environment. In addition the enlarged Group is committed to ensuring that improvements in areas such as safety and the environment will continue to be vigorously pursued in the future.

Looking ahead

This statement has of course, special significance in that it effectively marks the end of Corus as a publicly quoted company and my role as chairman. It has been a privilege being chairman and working with my fellow directors over the past four years during which time the Company has been turned around and profitability re-established, whilst creating significant value for our shareholders. In Tata Steel, Corus now has the right partner at the right time. The combination has created a global business based on low cost and high growth, with a good cultural and people fit.

The new Board that has been formed includes Corus directors, and our management team is looking forward to working with their Tata Steel colleagues in integrating the two businesses, building on the foundations now in place to construct a truly world-class business with global reach and creating a company that will grow and prosper over the long term.



Jim Leng
Retiring Chairman

Chief Executive's statement

2006: performance overview

In 2006, Corus reported an underlying operating profit, before restructuring, impairment costs and profits on the disposal of assets, of £449m (2005: £673m). This performance includes two major non-recurring items related to a £96m pension credit primarily related to the revised contributions and benefit framework for the British Steel Pension Scheme that was successfully negotiated in the first quarter of the year and transaction costs of £77m related to Tata Steel's acquisition of Corus that became effective on 2 April 2007.

The start of the year saw the downward pressures on selling prices experienced throughout most of 2005 continue. A combination of stock levels through the supply chain having returned to normal levels and strong steel demand, particularly in the construction sector, led to a sharp recovery in selling prices from the third quarter of 2006 onwards. As a result, the Group's average steel selling prices remained broadly unchanged year-on-year and further increases in raw materials costs experienced during the year, particularly iron ore, coking coal and energy, could not be recovered. The successful completion of the Group's Restoring Success programme played an important role in helping to mitigate some of the input cost pressure experienced during the year.

The operating result in 2006 also reflects a significant amount of operational disruption, including the continuing impact of commissioning costs at Engineering Steels, particularly in the first half of the year, and the relining of the no.7 blast furnace at IJmuiden in the second half of the year. The completion of these and other ongoing strategic capital expenditure projects mean that Corus is well positioned to build on this operational momentum in 2007.

Restoring Success

Savings

During 2006 we successfully completed our Restoring Success programme, originally launched in May 2003, to deliver a £635m improvement in earnings before interest, tax, and amortisation by the end of 2006 (restated to reflect the disposal of the downstream aluminium assets in August 2006).

As well as delivering these cost savings through cost reduction and improved operational efficiency, the programme has delivered improvements in both our safety record and customer service performance.

Safety

During 2006, we have seen a further 13% reduction in the frequency of lost time injuries, a good lead indicator of performance. Since we launched Restoring Success in 2003 we have seen a total 70% improvement in this key performance indicator.

Regrettably, the year also brought two fatal accidents to Corus employees and further improvement in our safety performance remains a key priority.

Service

As part of our Restoring Success programme we also set out to improve the percentage of our deliveries made on time, from an unacceptable 74% in 2003. We have again made significant and sustainable progress in this area, with 85% of our deliveries having met this target during 2006.

As a result of the Restoring Success programme, Corus today is a stronger and more robust business that is more capable of withstanding the cyclical nature in the steel industry.

The Corus Way

In 2005, I began to explain our strategic plans beyond Restoring Success, encompassed within The Corus Way.

Best supplier to best customers

Firstly, for our existing asset base in Western Europe, where we will increase our proportion of differentiated product sales. We will continue to prioritise and improve our mix of customers, being the 'Best supplier to best customers', in the construction, packaging, automotive and engineering markets, building on existing strengths of reliability and innovation to differentiate us from the competition. Last year, we announced two major strategic investments in support of this goal. Both investments will enrich the sales mix by focusing on more value added products and will also significantly improve operational efficiency.

At Scunthorpe in the UK, the £130m investment to improve the Group's competitive position in the structural sections for the construction market, rail, and wire rod for the automotive markets is on track to be completed by the middle of 2007.

The 4-year, £153m investment at IJmuiden, in the Netherlands, in a new galvanising line and cold mill at our lowest cost site, is also on track. This investment is designed to reinforce our existing market position in the automotive and construction markets, including the development of new advanced high strength steels.

World Class Processes

Our goal of 'World Class Processes' looks to further improve the operational efficiency of our asset base. In 2006 we appointed 27 Continuous Improvement managers and trained nearly 300 coaches to implement a Group-wide Continuous Improvement Programme, based on the principles of 'lean thinking'. We have also established 14 Process Improvement Groups to benchmark and improve performance in all operational activities and specific sector teams to identify further reductions in procurement costs.

The individual commitment and complete engagement of 100% of Corus employees in Continuous Improvement is key in translating the benefits of this programme into both our operational and financial performance. We will continue to attract and retain, 'passionate people', to successfully deliver our business goals.

Selective Growth

The disposal of the downstream aluminium assets in August 2006 was an important step in Corus' strategic objective of 'selective growth', to focus on and develop its carbon steel businesses, in addition to further strengthening the balance sheet.

As part of The Corus Way, beyond organic developments, I indicated in my statement last year that Corus was looking outside of Western Europe to secure access to steelmaking in lower cost regions. The Company needed to do this in order to support the cost competitiveness of its European assets going forward and pursue exposure to higher growth markets. Only by pursuing opportunities, with a number of potential parties that offered low production costs, access to raw materials and high demand growth, would Corus ensure that it could successfully build on the momentum created by Restoring Success and deliver further value for our shareholders. The acquisition of Corus by Tata Steel, completed on 2 April 2007, represented the culmination of this process.

Tata Steel & Corus: a compelling vision in steel

The combination of Tata Steel and Corus will enable Corus to move towards the next level of strategic transformation through access to low cost steel production and high growth markets in Asia. The transaction creates the fifth largest steel producer in the world and Corus can now grow and compete on a global scale, whilst still pursuing its existing plans for Western Europe. Both companies also share a set of common, core values; and the same approach to business performance. A similar commitment to continuous improvement augurs well for the future of the enlarged Group.

Outlook

Looking ahead, the market outlook for 2007 is also positive, as global growth remains strong and selling prices continue to recover. It is not yet clear whether this improving trend will continue through the second half of the year, however we will continue to look to recover raw material cost increases as well as pursuing the operational momentum provided by the completion of the Restoring Success programme and new initiatives as part of the Corus Way.

Together, Tata Steel and Corus have an exciting future with an ambition to double our profitability and double our size over the next five years, playing to our combined strengths, to our scale and global reach and cultural fit. The executive team and I, along with all Corus employees, can look forward to an exciting and promising future.



Philippe Varin
Chief Executive

Presentation of information

Corus Group plc is a public limited company, registered in England & Wales, and throughout 2006 was listed on the London, New York and Amsterdam Stock Exchanges. However, Corus' shares were subsequently suspended from trading on each of these exchanges on 29 March 2007 following the acquisition of the Group by Tata Steel UK Limited (Tata Steel), as explained in more detail on page 10. This Report & Accounts for the year ended 30 December 2006 complies with UK regulations and is designed to satisfy the requirements of a range of reporting obligations, including those arising from the 7.5% Senior notes due 2011 (which, in particular, require Corus to present two years of comparative income statement data).

For each of the periods presented Corus has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). For this purpose, IFRS represents all International Accounting Standards and International Financial Reporting Standards, as well as interpretations published by the International Financial Reporting Interpretation Committee and its predecessor body, that were issued prior to 30 December 2006. However, only those standards and interpretations that were endorsed by the EU prior to authorisation of these financial statements, and were mandatory for the current period, have been applied.

Since June 2005 Corus has also published quarterly financial data, which along with other relevant news releases and information, as well as electronic copies of this document, are available on the Group's website www.corusgroup.com

The consolidated financial statements of Corus are presented in pounds sterling. References to 'US\$', 'US dollars' or '\$' are to United States dollars, references to 'pounds sterling', 'sterling', '£', 'pence' or 'p' are to UK currency and references to 'Euro', 'euro', 'EUR' or '€' are to the single currency of the member states of the EU that have adopted such currency in accordance with legislation relating to European Economic and Monetary Union.

Presentation of non-GAAP measures

Corus gives certain additional information in a non-statutory format to help readers understand the underlying performance of the business, in line with management's own view. Where such non-GAAP information is given, the comparable statutory figure is also provided.

Operating results before restructuring and impairment costs and profit on disposals are presented because management believes that excluding these items from the operating results facilitates understanding of the underlying performance of the business and improves comparability of results for the periods concerned. It is a key measure used by management and investors, and has been used to measure progress under the Group's Restoring Success programme, which commenced in 2003. Corus' internal performance is measured and appraised using this measure and further information on a segmental basis can be found in Note 1

to the consolidated financial statements included in this Report & Accounts. For a reconciliation between operating result before restructuring and impairment costs and profit on disposals (a non-GAAP measure) and operating result (the comparable statutory figure), see the table on page 89.

In presenting and discussing the Group's indebtedness and liquidity position, a net debt value is calculated. Although there is no definition of this within IFRS, the Group believes it is both useful and necessary to communicate the value of net debt to investors and other interested parties, since it:

- allows the Company and external parties to evaluate the Group's overall indebtedness and liquidity position;
- facilitates comparability of indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to the definitions used by other companies;
- is used by management for planning and reporting purposes; and
- is used in discussions with the investment analyst community and the debt rating agencies.

A reconciliation of cash and cash equivalents, current and non-current borrowings, the closest equivalent GAAP measures, to net debt is shown in Note 37 on page 129.

Corus' discussion of its financial performance and position includes the use of certain measures which are intended to assist investors in analysing the underlying financial and operational performance of the Group. These measures are referred to as Key Performance Indicators (KPIs) and are discussed in more detail on page 11. An explanation of the method used to calculate the KPIs has been given and, where applicable, each KPI is reconciled to the equivalent GAAP measure. In each case, an indication is also given as to why the KPI is considered to be useful. Corus has extended the inclusion of such measures during 2006 in order to comply with the requirements of the enhanced business review legislation introduced in the UK (itself part of the EU Accounts Modernisation Directive) for financial periods commencing on or after 1 April 2005.

Certain forward looking statements

Certain sections of this Report & Accounts including, without limitation, those concerning (i) the Group's strategies, (ii) the Group's research and product development, and information technology, (iii) the Group's investments, (iv) efficiencies, including cost savings, for the Group resulting from business reviews and reorganisations, (v) management's view of the general development and competition in the economies and markets in which it does, or plans to do, business, (vi) management's view of the competitiveness of its products and services, and (vii) the Group's liquidity, capital resources and capital expenditure, contain certain forward looking statements regarding the Group's operations, economic performance and financial condition. Although Corus believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to be correct.

Forward looking statements involve inherent risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by such forward looking statements. Factors that could cause such differences include changes in economic conditions, changes in the level of capital investment, success of business and operating initiatives and restructuring objectives, changes in the regulatory environment, outcome of litigation, other government actions, natural phenomena such as floods and earthquakes, customer strategies and stability, and fluctuations in interest and exchange rates. Such factors include, but are not limited to, those discussed under 'Risk factors' on pages 70 to 73 of this Report & Accounts.

Corus does not undertake any obligation to update or revise publicly such forward looking statements. All written, oral and electronic forward looking statements attributable to Corus or persons acting on behalf of Corus are expressly qualified in their entirety by this cautionary statement.

Review of the period

The business and its strategy

Corus estimates that, as at 30 December 2006, it was the ninth largest steel producer in the world and produced 18.3mt of crude steel in 2006 (equivalent to 18.8mt of liquid steel). The Group has four main operating divisions; Strip Products, Long Products, Distribution & Building Systems and Aluminium, each being the responsibility of an individual Executive Committee member. The activities of each division are organised into individual business profit centres, each of which has its own managing director who, with the respective management team, has responsibility for the performance of that business. Europe, principally the EU, is the most important market for Corus for both its steel and aluminium products, accounting for 80% of total turnover in 2006. The Group's steel divisions accounted for 91% of total turnover in the same period.

The Group produces carbon steel by the basic oxygen steelmaking method at three integrated steelworks in the UK at Port Talbot, Scunthorpe and Teesside, and at one in the Netherlands at IJmuiden. Engineering steels are produced in the UK at Rotherham using the electric arc furnace method. A number of the Group's rolling mills and process lines are on the same sites as the steelworks, but most of Corus' operating sites do not have steelmaking facilities. These include: the strip mills at Llanwern, South Wales; the tinplate works at Trostre, South Wales and Bergen, Norway; the coating works at Tafarnaubach, South Wales, Shotton, North Wales and Maubeuge, North France; the electrical steels works at Newport, South Wales and Surahammar, Sweden; the tube mills at Corby and Hartlepool, England and Oosterhout, Arnhem and Maastricht, Netherlands; the plate mill at Dalzell, Scotland; the rail mill at Hayange, North-East France; the hot and cold rolled narrow strip mills at Brinsworth, England, Dusseldorf and Trier, Germany and Warren and Bethlehem, USA; and the section mill at Skinningrove, England.

Corus has sales offices, stockholders, service centres and joint venture or associate arrangements in a number of markets for distribution and further processing of steel products. These are supported by various agency agreements. There is an extensive network in the EU while outside the EU Corus has sales offices in around 30 countries, supported by a worldwide trading network.

In 2006, about 60% of Corus' crude steel production was rolled into hot rolled coil. Most of the remainder was further processed into sections, plates, engineering steels or wire rod, or sold in semi-finished form. Approximately 35% of hot rolled coil was sold without further processing, approximately 55% was further processed in cold rolling mills and coating lines, and the remainder was transferred to Corus tube mills for the manufacture of welded tubes. Principal end markets for the Group's steel products are the construction, automotive, packaging, mechanical and electrical engineering, metal goods, and oil and gas industries.

Following the disposal of the aluminium rolled products and extrusions businesses (the aluminium downstream assets) in August 2006, as discussed on page 38, Corus' remaining aluminium operations are entirely related to the production of primary metal for external customers. This production arises in two smelters, at Delfzijl in the Netherlands and Voerde in Germany, although Corus is not a major producer globally.

The properties set out in the table below are the primary processing works of Corus, which are held substantially in freehold.

Major production facilities	Approximate total operational site area acres	Gross external area of buildings and plant acres	2006 Production capacity(a) mt	2006 Actual output mt
Port Talbot Steelworks, West Glamorgan, UK (b)	3,100	153	4.7	4.0
Scunthorpe Steelworks, South Humberside, UK	2,700	466	4.5	4.1
Teesside Steelworks, Redcar, Cleveland, UK	2,400	295	3.9	3.1
Rotherham Steelworks, South Yorkshire, UK (c)	1,200	99	1.3	0.9
IJmuiden Steelworks, Netherlands (d)	1,885	494	6.8	6.2
Delfzijl Aluminium Smelting Works, Netherlands	106	26	0.1	0.1
Voerde Aluminium Smelting Works, Germany	215	49	0.1	0.1

- (a) Production capacity is based on the maximum possible production in 2006 taking into account upstream and downstream bottlenecks, assuming full manning of facilities and including any plant mothballed. For steelworks, figures are for crude steel and are broadly consistent with those submitted to the European Commission as part of its annual investment and capacity survey. For aluminium, figures are included for the two smelters of Corus Primary Aluminium. In practice, facilities may be manned only to the level required to provide semi-finished materials for downstream finishing processes and for sale.
- (b) As the effects of UK restructuring measures progressively impacted through 2006, production capacity increased from 4.1mt per annum in 2005 to 4.7mt per annum by the end of 2006.
- (c) Steel production for engineering steels has been concentrated at Rotherham as part of UK restructuring, with the closure of steelmaking at Stocksbridge in South Yorkshire in 2005. The aerospace steels and all finishing of engineering billets/rounds have remained at the Stocksbridge site.
- (d) IJmuiden Steelworks is in the process of increasing steelmaking capacity to 7.5mt per annum by about 2010. This anticipated increase in capacity is expected to be achieved, following the relining of the no.7 blast furnace and addition of a Paul Wurth top in 2006, by the implementation of several additional capital expenditure schemes designed to reduce bottlenecks and improve the availability of various production units.

Strategy

Corus' strategy is focused on carbon steel to:

- further develop a strong and sustainable competitive position in its Western European markets and locations; and
- increase its exposure to lower cost, higher growth regions.

The completion of the sale of Corus' aluminium downstream assets in August 2006 was an important step in the Company's strategy to focus on and develop its carbon steel businesses, in addition to further strengthening its balance sheet (see 'Acquisitions and disposals' on page 38). Corus will continue to evaluate and reshape the Group's businesses and assets to support its strategy, either through focusing on market leading positions or realising resources for reinvestment.

Developing a strong and sustainable position in Western Europe

The Restoring Success programme launched in May 2003 was the first stage in meeting the Group's strategic objectives in Western Europe and was focused on returning all parts of the Group to acceptable levels of profitability. This programme was designed to deliver an improvement of £680m per annum by the end of 2006 (from a base of June 2003), generated from three broad areas:

- Existing ongoing initiatives – based on cost reduction and efficiency programmes underway before June 2003;
- UK restructuring – designed to improve the efficiency of the Group's UK assets; and
- New initiatives – including further performance improvement programmes launched since June 2003 in areas such as manufacturing, purchasing and the enrichment of the product and customer mix towards premium end markets.

Following the sale of the aluminium downstream assets, targeted benefits were revised to £635m, to reflect the savings that had been attributed to these businesses. Corus estimates that the planned improvement from Restoring Success had been achieved in full by the end of December 2006.

Throughout 2006, Corus has continued to develop The Corus Way to drive the future performance of the Group beyond Restoring Success, in a safe and sustainable environment.

This approach has three key business objectives:

- Best supplier to best customers – to differentiate Corus from competitors in its existing Western Europe markets, and in particular from those importing from low cost countries, by further increasing the share of non-commodity, differentiated products in the Group's sales mix, improving service performance and increasing innovation and branding. Corus will target at least 60% of its deliveries to be value added, speciality products by the end of 2008. Corus estimates that this represents an increase of approximately one third compared with 2003;
- World-class processes – to drive further improvement through benchmarking with world class performance levels and identifying, sharing and standardising best practices within the Group; and

- Selective growth – to pursue targeted, value-creating growth opportunities, both within and outside Europe.

During 2006, a Group-wide programme of continuous improvement, based on the principles of lean thinking, has been launched to support The Corus Way. This programme will only be achieved through full involvement, motivation and engagement of all employees. Hence a significant training and communication effort is underway to encourage and motivate employees, such that they are able to contribute effectively to the achievement of the Group's strategic objectives.

Corus has increased its capital expenditure to support the ambition of increasing its proportion of differentiated product sales and operational efficiency of the Group's existing asset base in Western Europe. Two major investments in support of this were underway in 2006, namely:

- A £153m investment at IJmuiden to expand Corus' product range capabilities for the automotive and construction markets; and
- A £130m investment at Scunthorpe to strengthen the competitive position in structural sections, rail and wire rod markets.

Further details of these investments are provided in the Strip Products and Long Products divisional narratives.

Improving exposure to lower cost, higher growth regions

Corus has looked beyond Western Europe, where the large majority of its assets are based, to those parts of the world where it could secure access to lower cost steel production to support the future cost competitiveness of its European assets, as well as pursuing opportunities in high growth markets.

Since August 2005, Corus has had talks with a number of parties from Brazil, Russia and India regarding a range of possible transactions. These discussions culminated in Tata Steel's acquisition of Corus, as explained in more detail below.

Tata Steel is India's largest private sector steel company, with crude steel production of 5.3mt across India and South-East Asia. It is a vertically integrated manufacturer and one of the world's most profitable steel companies. The combination of the two businesses will enable Corus to move towards the next level of strategic transformation through access to low cost steel production and high growth markets in Asia. Corus believes that the strategic partnership has the potential to create significant synergies across the value chain. Specific benefits will include cross fertilisation of research and development capabilities in the automotive, packaging and construction sectors, sharing of best practices between the two organisations, rationalisation of costs across the businesses and creation of a stronger management team to pursue future growth in the steel industry. In the longer term, the option to source lower cost steel production from India for the finishing facilities in the UK may offer further benefits.

Tata acquisition

On 20 October 2006 the boards of Corus, Tata Steel and Tata Steel UK announced that they had reached agreement on the terms of a recommended acquisition of the entire issued and to be issued share capital of Corus, at a price of 455p in cash for each Corus share. This was to be implemented by means of a scheme of arrangement under section 425 of the Companies Act 1985, and the relevant scheme document was sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderúrgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475p per ordinary share. This proposal did not amount to a firm intention to make an offer and was subject to certain pre-conditions, including completion of due diligence, finalisation of financing arrangements and a recommendation from the Corus Board.

Following this approach, as it did for Tata Steel UK, Corus provided information and made senior management available to enable CSN to meet those pre-conditions. Whilst this process was ongoing, and at the recommendation of the Corus Board, on 4 December 2006 shareholders voted to adjourn, until 20 December, the EGM and the court meeting that had been convened in relation to the Tata Steel scheme of arrangement.

On 11 December 2006, the boards of Corus, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515p for each Corus share. This followed an announcement during the previous day, on 10 December 2006, that the boards of Corus, Tata Steel and Tata Steel UK had reached agreement on the terms of a revised recommended acquisition at a price of 500p for each Corus share.

The Panel on Takeovers and Mergers (the Panel) announced on 19 December 2006 that the final date on which Tata Steel UK and CSN could revise their offers for the Company was 30 January 2007. Following this, on 20 December 2006, at the reconvened EGM and court meeting, upon the recommendation of the Corus Board, shareholders voted to adjourn those meetings until further notice.

The Panel subsequently announced during January 2007 that in order to provide an orderly resolution to this competitive situation, an auction process would be held to establish final bids from both Tata Steel and CSN. This auction process began on 30 January and on 31 January 2007 the Panel announced the result of the auction procedure.

The Board of Corus subsequently recommended the Tata Steel offer at a price of 608p per share, which was 5p higher than the final bid by CSN of 603p per share. This concluded what the Corus Board considered to be an equitable and thorough process to secure the right strategic future for Corus and the best value for its public shareholders. The final revised offer price represented a premium of 68.7% to the average closing mid-market share price of 360.5p per Corus share for the 12 months ended 4 October 2006, being the last business day prior to Tata Steel's original announcement that it was evaluating various business opportunities including Corus.

Shareholders voted to approve the Tata Steel scheme of arrangement, at the final price of 608p per share, at an EGM and court meeting held on 7 March 2007. Corus' shares were subsequently suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007 and the scheme became wholly effective on 2 April 2007.

Key Performance Indicators

The Board and Executive committee monitor a wide range of performance indicators, both financial and non-financial, on a regular basis. Targets may be set at both the Group and divisional level to ensure they are tailored to drive the priorities of each business. The measures presented below are considered to be important indicators of the Group's overall financial performance.

Financial key performance indicators and definitions	Review of performance
<p>Basic earnings per share The ratio divides profit attributable to equity holders of the parent by the weighted number of shares in issue during the year. This provides a simple measure of how the Group's earnings may be attributable to an individual investor's shareholding. Note 9 shows the method of calculation in detail.</p>	<ul style="list-style-type: none"> • 24.92p for 2006 (2005: 50.84p; 2004: 50.34p), of which 21.01p (2005: 48.14p; 2004: 46.40p) arose from continuing operations. • All figures reflect the May 2006 share consolidation, as discussed on page 41. • Dividends of 7.75p per share paid during 2006 (2005: 2.50p; 2004: nil).
<p>Net debt Corus believes that it is both useful and necessary to communicate the valuation of net debt to investors. It reflects the Group's overall liquidity position and is used by management for planning purposes and in discussions with the investment analyst community and debt rating agencies. Note 37 shows the method of calculation.</p>	<ul style="list-style-type: none"> • £564m for 2006 (2005: £821m; 2004: £842m). • Includes £145m of additional debt in 2006, and £268m in 2005, arising solely from the adoption of specific IFRS accounting standards (see Note 37). • Net debt reduced during the period following receipt of proceeds from the disposal of the aluminium downstream assets and the conversion of the €307m Convertible bonds due 2007.
<p>Gearing This shows net debt as a percentage of net tangible worth as at the end of each year, and is used to reflect the efficiency of the Group's capital structure and its ability to finance future investment.</p>	<ul style="list-style-type: none"> • 15% for 2006 (2005: 25%; 2004: 29%). • Net debt reduced year-on-year. • Increased equity from retained profits, actuarial gains from pensions accounting and shares issued to satisfy the early conversion of the €307m Convertible bonds due 2007.
<p>Working capital/turnover* This shows year-end working capital as a percentage of the annualised quarter 4 revenue for each relevant year. It measures how efficiently the Group is able to convert inventories into delivered goods and subsequent cash receipts.</p>	<ul style="list-style-type: none"> • 15% for 2006 (2005: 17%; 2004: 14%). • Working capital reduced during quarter 4, as inventory built ahead of the IJmuiden blast furnace reline was utilised for deliveries. • Turnover and receivables increased year-on-year due to increased average fourth quarter sales revenue and higher sales volumes.
<p>EBITDA margin* This shows earnings before interest, tax, depreciation and amortisation as a percentage of Group turnover. It measures how efficiently revenue is converted into EBITDA.</p>	<ul style="list-style-type: none"> • 7% for 2006 (2005: 10%; 2004: 10%). • Reduction year-on-year as input cost increases not fully recovered through sales prices, especially during the first half of 2006. • Continued consolidation in the steel industry makes peer to peer comparison increasingly difficult.
<p>Return on net assets* Return on net assets is calculated by dividing underlying profit by an average of the opening and closing net assets, excluding net debt. This is a measure of the return, or profit, that Corus generates from the money invested by shareholders.</p>	<ul style="list-style-type: none"> • 11% for 2006 (2005: 18%; 2004: 16%). • Reduction in profitability in 2006, reflecting significant input cost increases. • Net assets increased during the year, but much of this was due to movements that did not directly enhance investment capital available to the Group (for example, actuarial gains on pension balances).

Notes:

- (i) Items marked with an asterisk (*) are also presented separately for each division, in the following pages.
- (ii) See 'Presentation of non-GAAP measures' on page 6.

Key Performance Indicators

These items below represent non-financial measures that are important to note in understanding the overall performance of the Group. Whilst it may not be possible to ensure that the definitions and method of calculation are entirely consistent across businesses, and between years, they are considered to be an important indicator of current trends.

Other key performance indicators and definitions	Review of performance
<p>Safety: <i>Lost time injury frequency*</i> The Group measures and reports lost time injury frequency to provide a basis for comparison with industry peers. The frequency rate is reported per million employee hours worked, as a rolling twelve-month average.</p>	<ul style="list-style-type: none"> • 2.5 for 2006 (2005: 2.9; 2004: 3.8). • The improvement since 2002 has continued during the year. • The Executive committee performed almost 150 health and safety reviews during 2006.
<p>Service: <i>Deliveries on time in full (OTIF)*</i> OTIF is one of the standard Corus measures for customer service excellence. It reflects the percentage of deliveries which are fulfilled accurately, in terms of quantity, lead time and delivery point, by the date or time first committed to the customer.</p>	<ul style="list-style-type: none"> • 85% for 2006 (2005: 85%; 2004: 79%). • Performance unchanged year-on-year, despite the IJmuiden no.7 blast furnace reline. • Group-wide supply chain conference held in November 2006 to help progress further improvement in 2007.
<p>Savings: <i>Exit rate annualised savings from Restoring Success</i> Corus' Restoring Success plan was launched in 2003 to improve the Group's financial performance. It has been the key facilitator for cost reductions in recent years. The programme is discussed further on page 9.</p>	<ul style="list-style-type: none"> • £635m for 2006 (2005: £555m; 2004: £335m). • Original targeted benefits of £680m revised to £635m to reflect the completion of the sale of the aluminium downstream assets. • Planned improvement from Restoring Success estimated to have been achieved in full by the end of December 2006.
<p>Physical performance: <i>Liquid steel production</i> This reflects the level of physical activity at each of the Group's steelmaking sites. It is a key driver of the manufacturing performance of the assets, which directly impacts the operating result. It is also the measure by which the steel industry compares the size of companies on a global scale.</p>	<ul style="list-style-type: none"> • 18.8mt for 2006 (2005: 18.7mt; 2004: 19.5mt). • Output constrained in 2005, to help reduce industry inventory to more normal levels. • Reduction in 2006 due to the no.7 blast furnace reline at IJmuiden. • Production capacity at Port Talbot increased, progressively during 2006, as a result of the UK restructuring programme.

Note:

- (i) Items marked with an asterisk (*) are also presented separately for each division, in the following pages.

Group performance in the period

Summary

£m, from continuing operations, unless stated	2006	2005	2004
Revenue and deliveries			
Turnover:			
UK	2,780	2,653	2,544
Rest of Europe	5,100	4,801	4,365
Rest of World	1,853	1,701	1,464
	9,733	9,155	8,373
External deliveries (mt):			
Steel	20.9	19.8	20.9
Aluminium	0.2	0.1	0.1
	21.1	19.9	21.0
Earnings			
<i>Operating profit before restructuring and impairment costs and profit on disposals</i>	449	673	585
<i>Restructuring and impairment costs charged against operating costs</i>	(35)	(60)	(46)
<i>Profit on disposals credited against operating costs</i>	43	30	78
Operating profit	457	643	617
Net finance costs	(168)	(96)	(111)
Share of post-tax results of joint ventures and associates	24	1	21
Taxation	(119)	(116)	(119)
Profit from discontinued operations	35	19	33
Profit after taxation from all operations	229	451	441

Note: See 'Presentation of non-GAAP measures' on page 6.

This business review aims to provide a fair perspective of Corus' business development, performance and position at the current time. It aims to present a view that is both balanced and comprehensive and that is consistent with the size and complexity of the Group. The review is written in the context of the strategy outlined on page 9 and the principal risks and uncertainties facing the business as listed on pages 70 to 73. Corus anticipates that the format and content of the review will evolve over time, along with developments in its business and the external reporting environment. The review begins with an overview of Group earnings, focused on comparing 2006 with 2005 but also highlighting key differences with the earlier comparative period of 2004. Following this there is a discussion on how the global economic environment has affected the business, and then each of the operating divisions is considered in turn, by looking at their performance over the last three years.

As required by IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', Corus' aluminium downstream assets have been classified as discontinued operations. These businesses were sold to Aleris International Inc. on 1 August 2006, consistent with the Group's strategy to focus on carbon steel activities. Turnover, Group operating profit and profit before tax for all periods presented exclude the results of these businesses, which are now only shown as a single net amount in the consolidated income statement below profit after tax.

This reclassification has required a revised presentation of all

comparative periods. From 1 August 2006 onwards, turnover and cost of sales to these businesses, mainly arising from the smelter operations and previously eliminated on consolidation, are now reflected within the Group's external results.

Total Group turnover for the period was £9,733m (2005: £9,155m; 2004: £8,373m), approximately 6% higher than 2005. Deliveries increased from each of the Group's three carbon steel divisions, contributing to an overall 6% rise in external sales volumes, whilst average revenue per tonne was largely unchanged at £454. Turnover and deliveries for the continuing aluminium operations primarily increased due to the reclassification of turnover to the downstream businesses, as explained above.

Group average revenue of £461 per tonne for the period was relatively unchanged from 2005, as the downward pressure on selling prices experienced in the second half of 2005 continued into the first two quarters of 2006. In total for the Group, average revenue per tonne in the second half of 2006 was £481 compared with £442 in the first six months, reflecting the generally improving market conditions as selling prices recovered strongly from the lows seen particularly in quarter 1. This trend meant that turnover in the second half also increased to £5,039m from £4,694m in the first six months of the year.

As shown in the table opposite, the Group operating profit from continuing operations, for 2006, was £457m (2005: £643m; 2004: £617m). The profit in the first half of the year was £305m, but reduced to £152m in the second six months. This in part reflected a £96m non-recurring pension credit in the first six months of 2006 primarily related to the revised British Steel Pension Scheme contribution and benefits framework, agreed in February 2006. The second half of the year saw transaction costs associated with the Group's acquisition by Tata Steel amounting to £77m, including provision for the inducement fee payable to CSN (see page 151).

Restructuring and impairment costs included in the operating result amounted to a net charge of £35m, £7m in the first half and £28m in the second half of the year. These costs were mainly in respect of redundancies related to the cessation of cold rolling at Brinsworth and closure of the Cookley site, both in the UK. In addition restructuring costs were incurred at the special strip operations in Germany, including impairment of the associated property, plant and equipment. In 2005 these costs primarily related to the transfer of UK rail production from Workington to Scunthorpe and impairment in the value in use of the fixed assets associated with the Group's aluminium smelting operations in Europe. Net charges in 2004 related to the closure of the heavy section mill at Scunthorpe, ongoing efficiency measures across the Group and impairment of goodwill, and of property, plant and equipment.

Profit on disposals included in the operating result amounted to a net credit of £43m. As in previous years these net profits mainly arose from the sale of surplus, non-operational land, but in 2006 included the sale of the Group's electrical steel laminations business as well. In 2005 there was also the sale of the Mannstaedt special steel profiles business in Germany and the Perfo perforated metal products business in the Netherlands. The 2004 results included the sale of the Group's piling commercial operations in the UK, the Tuscaloosa mini-mill in the USA and the North American service centres.

Excluding the pension credit and transaction fees noted above, the underlying operating profit before restructuring and impairment costs and profit on disposals amounted to £430m compared with £673m in 2005 and £585m in 2004. The equivalent profit in the first half of 2006 amounted to £201m, increasing to £229m in the final six months. This reduction of £243m in the full year underlying profit compared with 2005 reflected the difficult market conditions experienced at the start of 2006, as selling prices reflected the downward pressure experienced towards the end of 2005. These market conditions reduced margins, as the raw material input cost increases incurred from the start of 2006 could not be entirely recovered through increased selling prices. Whilst price increases were achieved in the second half of 2006, profitability was then affected by events such as the no.7 blast furnace reline at IJmuiden, an extended maintenance period at Port Talbot and seasonal production breaks normally taken during the period. The 2006 result also included the continuing impact of commissioning costs at Engineering Steels, which significantly affected manufacturing performance throughout the period, although mainly during the first half. However this was partially mitigated by additional benefits during the year from the Restoring Success programme, as discussed in more detail on page 9. This deterioration in 2006 compares with an £89m improvement in 2005 over 2004 which had then reflected higher average revenue and benefits from the Restoring Success programme, offset by reduced sales volumes and significant input cost increases, particularly iron ore, coking coal and energy.

Operating costs in 2006 were £9,276m (2005: £8,512m; 2004: £7,756m) and included the net credit in relation to pension costs, charges for transaction fees, restructuring and impairment costs, and profit on disposals as explained above. The remaining operating costs increased by 8%, mainly as a result of the impact of increased input costs, particularly for coal, iron ore, energy and zinc. Similar input cost increases were also seen when comparing 2005 with 2004, highlighting the significant cumulative impact of this recent trend.

The Group's finance costs in 2006 were £202m (2005: £127m; 2004: £123m), with finance income at £34m (2005: £31m; 2004: £12m), giving rise to a net charge of £168m (2005: £96m; 2004: £111m) and comprising:

- interest incurred of £96m on average borrowings and leases of £1,673m;
- an early debt redemption premium of £87m;

- the accretion of convertible bonds under IFRS amounting to £7m; and
- fair value losses on convertible bond equity options of £12m; offset by:
- interest earned of £29m on average deposits and loans of £582m; and
- financial investment disposal gains of £5m.

The increase in net finance costs from 2005 was £72m, mainly arising from the £87m premium paid on 3 March 2006 for the early redemption of the £150m 11.5% debenture due 2016 and movements in the fair value of the convertible bond equity options as the Group's share price rose. This was offset by lower interest charges as net debt reduced during the period, principally due to the receipt of proceeds from the disposal of the aluminium downstream assets. Net finance costs for 2004 also included an early redemption premium on the repurchase of bonds and the amortisation of issue costs on an earlier syndicated bank facility. The average net debt for the period was £1,091m, with the net debt at 30 December 2006 being £564m (2005: £821m; 2004: £842m). This net decrease from 2005 included a £145m increase due to the first time adoption of IFRIC 4 from January 2006 (in addition to the increase of £268m arising from the adoption of IAS 32 and IAS 39 in 2005 when compared with 2004), offset by the receipt of proceeds from the sale of the aluminium downstream assets of £477m and the elimination of the debt liability for the majority of the €307m Convertible Bonds due 2007, as holders exercised their conversion rights.

Corus' share of post-tax results of joint ventures and associates was a profit of £24m in 2006 (2005: £1m; 2004: £21m). The increase during 2006 was attributable to the inclusion of the profit on disposal of the Group's investment in Lusosider Projectos Siderurgicos S.A., as discussed on page 39, and a general recovery across all relevant market segments. In comparison 2005 had seen a decrease from 2004, which at the time reflected the general worsening commercial conditions in the steel market over that period.

The Group's profit before tax for the period was £313m (2005: £548m; 2004: £527m), with a profit after tax for the period from continuing operations of £194m (2005: £432m; 2004: £408m), and profits from discontinued operations, as discussed on pages 30 to 31, of £35m (2005: £19m; 2004: £33m). This was equivalent to basic earnings per share of 24.92p (2005: 50.84p; 2004: 50.34p), with prior periods restated to reflect the 5 for 1 share consolidation in May 2006 as discussed in Note 29.

Capital expenditure on property, plant and equipment for all operations was £449m in 2006 (2005: £423m; 2004: £375m). The increase from 2005 reflected the completion of several projects that had been in progress at the end of 2005 (for example, the blast furnace relines at IJmuiden and Scunthorpe) and the continued progress of major projects approved in the prior year as part of The Corus Way (for example, the enhancement to galvanising and cold

rolling capacity at IJmuiden). The UK accounted for 47%, the Netherlands 42%, the rest of Europe 10% and North America 1% of capital expenditure in 2006. Capital expenditure is generally met by cash flow provided by operating activities, cash balances and borrowing facilities. In addition, the Group undertook a Placing and Open Offer of new Ordinary shares in December 2003 to raise funds enabling the immediate launch of the UK restructuring programme and to underpin the Restoring Success programme, for which the associated capital expenditure has now been completed.

The capital expenditure schemes in progress and completed during 2006 are discussed in the divisional summaries from pages 20 to 32. The majority of these schemes have been ongoing throughout 2004 to 2006, during which time the major focus of capital expenditure has been on schemes in support of the Restoring Success programme, including UK restructuring, and blast furnace refurbishments. In 2006 the focus has been extended to investments to support the Group's strategy of selective growth as part of The Corus Way.

Dynamics of the business

There are certain industry factors in the carbon steel market that are common to the Strip Products, Long Products and Distribution & Building Systems divisions. As these divisions account for 98% of turnover for the Group these are the focus of the discussion below, although those factors relevant to the Group's remaining aluminium operations are also indicated where appropriate.

In 2006, European markets accounted for 81% of the steel divisions' turnover, of which the UK amounted to 29%. 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 US dollar, 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 pattern as producers seek to maintain high capacity utilisation. As a result, in addition to market developments in the UK and mainland Europe, changes in the global market for steel also influence the financial performance of Corus and its divisions. Seasonal effects only have a limited impact on Corus, both within the carbon steel and aluminium operations.

Economic climate

In 2006 the global economy enjoyed one of its strongest periods of expansion in 20 years, with economic growth accelerating from 3.3% in 2005 to 3.8% in 2006. The expansion was geographically broad-based during the first half of the year, with growth rates in most regions meeting or exceeding expectations. During the second half of the year, growth rates levelled out with modest slowdowns in the USA and China counterbalanced by the continuation of strong activity in Europe and other emerging markets. With economic activity extremely strong and only a limited supply side response forthcoming, commodity prices continued to rise in 2006 with many having a direct impact on

the steel industry; for example, iron ore prices rose by 19% despite also having risen by 72% in 2005.

During the year, the global economy remained resilient in the face of continued high oil prices. Prices averaged US\$65 per barrel for the year as a whole, peaking at US\$80 in the middle of quarter 3, before falling to a mean of US\$60 in the fourth quarter. Strong demand and supply side uncertainty continued to support price levels. In real terms, the oil price levels experienced in the year were the highest since the second oil shock of 1979-81.

As in 2005, the USA and China were the biggest contributors to the expansion of the global economy. The US economy grew by 3.4% in 2006, supported by continuing consumer spending and strong export growth. A downturn in the housing market resulted in significantly lower levels of residential investment during the second half of 2006. However, rising equity markets and falling energy prices limited any negative wealth effects for consumers in spite of four 0.25% interest rate rises during the year.

In China, growth accelerated during the first half of 2006, reaching 11.5% in quarter 2. This rise prompted the government to introduce administrative controls to curb excessive investment in specific industries and raise interest rates and bank reserve ratios. Despite continued foreign reserve accumulation, these actions helped to slow growth very slightly in the second half. Nevertheless, growth in the year as a whole was 10.7%, the highest since 1995.

Growth in the UK economy increased from 1.9% in 2005 to 2.7% in 2006. Private consumption growth accelerated as rising house prices and equity markets encouraged consumers to increase their debt levels further, despite the impact of two further 0.25% interest rate rises in response to some evidence of inflationary pressure. A healthy corporate sector supported private investment, which recovered very strongly in 2006 with growth reaching almost 6%. Exports responded positively to a stronger global economy, particularly in the first half of the year; however, the net trade position was also negatively impacted by higher imports.

The euro-zone's economic performance in 2006 was the best since 2000, with estimated growth of 2.7% versus 1.4% in 2005. Exports and investment were the principal drivers, but there were also signs of an improvement in private consumption. The German economy, which accounts for almost 30% of the region's output, enjoyed a particularly strong recovery as business confidence reached its highest level in over 15 years and activity in the commercial construction sector showed significant improvement.

Exchange rates

Exchange rates remain very important to the competitiveness and financial results of Corus. With 81% of the steel division's turnover accounted for by sales in Europe, the value of sterling against the euro is of major importance to sales revenues.

Furthermore, the results of Corus' major European operations must be translated from euros into sterling, as the presentational currency of the Group, at the relevant average rate for each period presented. Turnover in other export markets and major supplies purchases, including iron ore, coal and associated freight, are mainly influenced by the US dollar. In addition aluminium is traded worldwide in US dollars, so that weakness of the US dollar against the euro leads to reduced margins in the European based primary operations.

In general, strengthening of sterling adversely affects Corus' results in three main ways. First, it directly reduces the sterling value of export revenues from the UK. This exposure is substantially hedged by forward currency sales to the extent of the Group's contractual commitments, but such a hedge is effective only for that defined time. Second, 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 to hedge this competitive exposure for any significant period. Third, it exposes UK customers to similar pressures leading to a reduction in demand for steel in the UK.

The average spot sterling to euro exchange rate during the period was €1.47 (2005: €1.46; 2004: €1.47), the average spot sterling to US dollar exchange rate was US\$1.85 (2005: US\$1.82; 2004: US\$1.83) and the average spot euro to US dollar exchange rate was US\$1.26 (2005: US\$1.25; 2004: US\$1.25). Despite the relative year-on-year stability suggested by these comparatives, 2006 actually saw a significant weakening of the US dollar throughout the year, starting from a spot rate against sterling of US\$1.72 and ending the year at US\$1.96.

Global steel market

Steel producers seek to maintain high capacity utilisation and, 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.

In 2006 the global steel market continued to grow above its long term trend rate with improved underlying demand and re-stocking leading to even stronger apparent demand. In addition, 2006 saw positive demand growth across all of the major steel consuming regions, including Europe and North America. However global demand growth remained heavily influenced by China, which accounted for an estimated 33% of global steel consumption in 2006 and 50% of global demand growth, despite growing more slowly than in 2005.

In Europe the strength of underlying demand was notable and combined with the re-stocking that continued from the end of 2005, resulted in an estimated 8% growth in apparent demand compared with a 5% contraction in 2005.

The increase in demand was accompanied by a substantial increase in steel imports into the EU in 2006. Third country deliveries were up by more than 50%, with much of the increase coming from China. However, in general the continued strength of end user consumption helped mitigate these supply-side pressures, which were felt most acutely in Southern Europe and in commodity products.

Global production exceeded the 100mt per month threshold in 2006. Overall, global production grew by 9% in the period to reach 1.2bt, having grown by approximately 6% in 2005 compared with 2004. The following table provides a geographical breakdown of crude steel production.

World crude steel production 2006	mt	% of total
Western Europe*	173	14
Japan	116	9
North America	132	11
Central and Eastern Europe	145	12
China	419	34
Other countries	255	20
Total	1,240	100

* EU15

Source: International Iron and Steel Institute

Although all regions saw a growth in steelmaking production, there were marked differences in the scale of change. Chinese crude steel production grew by an estimated 18% in 2006, somewhat slower than in 2005. In contrast, European (EU15) crude steel production grew by only 5%, although this was an improvement from the decline of 3% seen in 2005. European steel producers, including Corus, continued to more closely monitor local demand conditions than has historically been the case, especially in the light of significant volumes of third country imports into the EU. Global trade flows were an important factor in regional market dynamics during 2006, with China's emergence as a significant net exporter being a key feature.

Global effective steelmaking capacity utilisation during 2006 was estimated to have remained historically high, as strong demand combined with continued market discipline in Europe and North America.

The size, fragmentation and speed of change of the steel sector in China means that it is a key area of uncertainty when estimating global demand and supply. Additionally, estimates of effective steelmaking capacity are inevitably imprecise and subject to change as later information becomes available.

Within this beneficial overall climate, there were some important regional differences. Despite significant import volumes, Europe saw quarter-on-quarter price increases throughout the year, partly due to the subdued levels at the end of 2005. However, prices in Southern Europe and for the commodity products most affected by imports weakened in the latter part of the year.

Prices in Asia tended to be more stable through the year, but at a lower level than other territories, as a result of a regional supply and demand imbalance which manifested itself in significant export volumes to Europe and North America in the second half of the year. Additionally, North America experienced some lowering in demand and stock build during the latter part of the year contributing to some price weakening in quarter 4.

Global aluminium market

In global terms, Corus is a small producer of primary aluminium. The revenue of the primary smelters is directly linked to the LME (where trading is in US dollars), but their input costs are only partly related. Therefore these units experience a change in profitability in direct relationship to the movement in the LME. The continuing operations of the Aluminium division accounted for just 2% of Corus' sales in the year ended 30 December 2006, compared with less than 1% in the prior year. This increase mainly reflects the fact that sales from the smelting operations to the former Corus aluminium downstream assets have been disclosed as external turnover from quarter 3 of 2006 onwards. Previously this turnover was eliminated on consolidation.

Global demand for primary aluminium rose by 7% in 2006 to over 34mt, having also grown by over 5% in 2005. In 2006 consumption was approximately 400kt greater than annual production, having been 100kt lower than this capacity in 2005. This tightening market was based on increased demand from China (21%), Europe (4%) and Asia & Middle East (6%). As a reaction to this worldwide capacity was increased by 6%, although this reflected increases in China (18%) and Asia & Middle East (11%) offset by idled or closed smelting in Western Europe (4%) and North America (1%). Intra-European production deficits of primary aluminium rose from 2mt in 2005 to 2.5mt in 2006. The average three-months forward rate quotation on the LME in 2006 rose from US\$2,283 per tonne in January, to US\$2,803 per tonne in December, with the official LME 3 month peaking at US\$3,185 per tonne.

The following table gives a geographical breakdown of consumption and production of primary aluminium.

2006	Primary aluminium	
	Consumption mt	Production mt
Western Europe	7.0	4.5
CIS & Eastern Europe	1.8	4.8
North America	7.3	5.3
Latin America	1.2	2.5
Japan	2.4	-
China	8.6	9.2
Rest of Asia & Middle East	5.0	3.3
Rest of World	0.8	4.1
Total	34.1	33.7

Source: EAA, CRU

Competition – steel

The market for steel is very competitive with high levels of

international trade, as outlined above. The main international competitors for Corus are other EU steel producers. However, Corus faces significant additional competition from other steel operations worldwide, for example in China, Japan, the United States, South Korea, Taiwan, Brazil, Turkey, Russia, Ukraine and many other countries with developing steel industries. Corus competes on the basis of the range and quality of its products, price, delivery performance and overall customer service.

Crude steel production at Corus sites in 2006 was 18.3mt. Corus estimates that, during 2006, this placed it as the ninth largest producer in the world and meant that it was the second largest producer in Europe.

Industry consolidation remained an important theme throughout 2006, with the Arcelor-Mittal combination (which created the first steel company capable of producing in excess of 100mt) being the most prominent example amongst a number of consolidations. These transactions are driven by several strategic imperatives, including:

- Scale economies and relationships with global suppliers and customers;
- Access to particular markets and/or raw materials;
- Sharing best practice and accelerating development; and
- Developing global supply chains.

However, despite the consolidating transactions, levels of global industry concentration still remain well below those of other metals and mining sectors.

Seasonality

Seasonal effects have only a relatively limited impact on Corus. However, some slowing in demand is evident during the summer months when many customers, especially those in Southern European markets, are closed for an extended period, and similarly over the Christmas and New Year holidays. Many of the Group's plants have planned shutdowns to coincide with these periods, when essential maintenance can be undertaken. Sales of some products are also subject to some sector-specific seasonal factors, for example the slowdown in construction activity over the winter months, and the seasonal variations in automotive build programmes to fit with new vehicle registration dates.

UK market

The estimated total UK market for carbon steel products in 2006 was 13.0mt, with estimated UK demand for the Group's main carbon steel products at 10.1mt, being 11% higher in 2006 than in 2005. This reflected an improvement in underlying steel consumption, primarily in the construction sector, in conjunction with the rebuilding of customer inventories, especially for strip products.

For 2006 UK construction output is estimated to have increased by approximately 5%, with the more steel intensive sectors performing most strongly.

UK manufacturing industry output grew modestly by just over 1% in 2006 with business confidence improving as export demand strengthened, especially from the euro-zone. Strong growth was seen in the mechanical engineering sector as UK manufacturers benefited from increased domestic and EU business investment.

The automotive sector remained the weakest major steel consuming sector, with UK car production in 2006 almost 10% lower year-on-year. The reduction was partly due to the continuing impact of the April 2005 MG Rover closure, but also reflected lower production at other sites.

After heavy destocking during 2005, UK steel inventory levels were rebuilt during the year, particularly for strip products, as end users and distributors sought to return inventories to more normal levels as underlying demand improved. Inventory levels were generally considered to be at or just above normal at the end of the year, with the exception of a number of products where import levels into the UK market had increased.

Corus carbon steel deliveries to the UK market in 2006 were 5.7mt, of which approximately 5.0mt were from Corus produced material and 0.7mt from material sourced from other steel producers.

Deliveries in the first half of 2006 were 3.0mt, but reduced in the second half to 2.7mt, reflecting pressure from higher imports. The total for 2006 was 0.2mt higher than in 2005.

The Group's estimated UK market share in 2006 for main carbon steel products was 51% (2005: 52%). Corus estimates that other UK steel companies had a 5% market share, while imports had a 44% market share, of which approximately 67% were from other EU 15 countries. In the first half, Corus' share was 52%, reducing to 50% in the second half, largely due to an increase in imports.

Approximately 40% of Corus' total deliveries of carbon steel products in 2006 went directly to end users. The balance was distributed through Corus' UK stockholders and service centres or third party service centres. It is estimated that stockholders and service centres handled approximately 60% of all steel imports into the UK.

Other European markets

The market for main finished steel products in the EU (excluding the UK) is estimated to have risen by 8% in 2006.

In contrast to 2005, when underlying growth in steel consumption was virtually flat, 2006 saw a significant improvement in end user demand due to a better than expected recovery in the EU economy. Underlying EU steel consumption grew by 6% in 2006, and was particularly strong during the second half of the year, which combined with re-stocking as customers sought to align inventory levels with improved levels of activity.

For most steel using industries the improvements seen in the latter part of 2005 continued into 2006, with growth gathering pace as the year progressed.

Construction was the key driver of demand across the EU in 2006, notably in Germany, which recovered more strongly than expected. For 2006, overall EU steel related construction output growth was 4%, which positively stimulated other construction-related sectors as well. Demand from European engineering sectors also grew strongly as EU manufacturers benefited from significant investment in new plant and equipment. Overall EU mechanical engineering output is estimated to have risen by 7% in 2006 with the sector leader, Germany, again performing very strongly. Activity levels in the EU tubes sector also rose strongly in 2006 supported by favourable domestic market conditions, particularly for construction-related tubular products, and high activity in the energy sector worldwide.

The performance of the EU automotive sector in 2006 was mixed. Whilst the commercial vehicles market continued to perform well, demand for passenger cars remained subdued, although demand started to increase during the latter part of the year. There was also considerable variation between markets, with Germany and Italy relatively strong but France weaker. The EU automotive sector has also seen a major structural shift of automotive build from west to east Europe. For the sector overall, output in 2006 increased by 2% from 2005 levels. The domestic appliance market is another industry affected by an eastwards shift within Europe, but here output in 2006 grew strongly with activity supported by improving consumer confidence and expenditure.

The inventory replenishment by customers was believed to have been largely completed by the end of quarter 3. At the end of 2006, general inventories are assumed to have been close to normal levels, although the very sharp rise in imports into the EU in 2006 resulted in an overstock position in Southern Europe (where imports were most concentrated) for some products in quarter 4.

Corus carbon steel deliveries in and to mainland Europe amounted to 10.7mt in the period, representing an increase of 7% from 2005. Corus' deliveries in the first half were 5.5mt, falling to 5.2mt in the second half, largely reflecting increased import pressures and the effect of the IJmuiden blast furnace relines.

Other markets

Outside Europe market conditions in 2006 varied, but there was a general improvement in demand levels in most sectors. In China, underlying demand for steel continued to grow strongly, by approximately 10% for the year, but this was outstripped by growth in output of 19%. This resulted in a supply and demand imbalance in Asia, which grew as the year progressed and gradually reduced demand for imports into the region. Prices in the region were also relatively low as a consequence.

In North America, after declining in 2005, demand recovered strongly in the first half of 2006. However, during the second half of the year the US economy began to slow and activity levels in the main steel using sectors also reduced. Steel imports into the US rose sharply during 2006 and this, coupled with some reductions in demand, led to an oversupply situation and a build up in inventories during the second half of the year. The latter part of the year was characterised by efforts to align output with reduced market demand, including significant production cuts made by US producers.

Strong growth was experienced in other regions including the Middle East, Africa, and Central and South America.

Corus carbon steel deliveries to markets outside Europe amounted to 4.5mt in the period, up from 4.3mt in 2005. This improvement reflected the general improvement in steel demand conditions worldwide in 2006. Deliveries to other markets in the first half were 2.1mt, increasing to 2.4mt in the second half.

Raw materials

The principal raw materials in the carbon and engineering steelmaking processes are iron ore and metallurgical coal, purchased on international markets, and steel scrap. During 2006, approximately 25mt of iron ore and 11mt of coal were imported at or near to Corus' integrated steelworks. Iron ore is imported principally from Australia, Canada, South Africa and South America. Corus imports coal, for conversion into coke and direct injection into blast furnaces, predominantly from Australia, Canada and the USA. Corus UK's external scrap requirement of approximately 1.3mt in 2006 was purchased in the UK, and some 0.8mt for its Dutch integrated plant was purchased predominantly in mainland Europe.

Corus endeavours to spread its supply risk by avoiding, where possible, over-dependence on any one country or supplier for its principal raw materials.

The purchase price for these materials is subject to market forces largely beyond Corus' control and is affected by demand from other steel producers, supply capacity and freight costs, among other factors. Steel scrap prices are generally based on spot market prices.

Corus enters into supply contracts that typically last between three and ten years for certain raw materials for steel production, although prices within these contracts are often agreed on an annual basis. Corus policy for these raw materials is to ensure that at least two-thirds of its requirement is accounted for by long term contracts, as was the case at the end of 2006. The remaining raw materials were purchased through one-year contracts and options, based on market rates, which provides flexibility and commercial leverage.

2006 was another year of strong production growth for the global steel industry, particularly in the early part of the year when reference prices for many of the key raw materials such as iron ore and coal are set. This continuing growth, particularly in China, contributed to significantly increased raw material prices for steel production globally. Chinese crude steel production increased by 18% or 63mt, and to support this production, iron ore imports into China increased by 19%.

There was also a 19% increase in the price of iron ore fines in 2006 compared to 2005. During 2006 the growth in demand, predominantly from China, was balanced by increased availability from Australia, Brazil, India and also China. The hard coking coal price decreased by 8% compared to 2005 as the availability of supply expanded rapidly after price increases in recent years. All of Corus' requirements are covered through a combination of its long term supply relationships and the development of new sources of supply.

Corus was also subject to the movements in worldwide energy prices in the year, and saw natural gas and electricity prices rise in 2006 when compared with 2005.

The raw material requirements for the aluminium businesses are obtained in part by importing alumina for the production of primary aluminium and in part by buying aluminium scrap. These materials are purchased by Corus from third party suppliers under competitively priced supply contracts or bidding arrangements.

A networked supplies organisation is embedded in the businesses of the Group, with a single face approach to the various procurement markets.

Strip Products Division

Performance summary

£m unless stated	2006	2005	2004
Turnover:			
Gross	5,366	5,140	4,724
Intra-group	1,044	1,013	841
External	4,322	4,127	3,883
Deliveries (kt):			
Gross	11,386	11,140	12,060
Intra-group	2,517	2,552	2,486
External	8,869	8,588	9,574
Operating profit	345	605	417
Operating profit (before restructuring & impairment costs and profit on disposals)	353	598	411
Employee numbers at year end (headcount)	21,300	22,500	22,600
Capital expenditure (property, plant and equipment)	241	228	210

Key Performance Indicators

Working capital/turnover

- 16% for 2006 (2005: 16%; 2004: 12%).
- Increased raw material costs have kept inventories at relatively high values.
- Slab stock built up ahead of IJmuiden blast furnace reline was utilised during the year.
- Trade debtors increased in line with turnover towards the end of the year, as selling prices increased.

EBITDA margin

- 10% for 2006 (2005: 15%; 2004: 12%).
- Reduction year-on-year reflecting higher raw material costs that could not be fully recovered as selling prices only improved in the second half of the year.
- The blast furnace reline at IJmuiden also represented a lost opportunity for additional sales volumes.

Return on net assets

- 14% for 2006 (2005: 25%; 2004: 19%).
- Lower profitability year-on-year, as explained above.
- Continued substantial capital investment increased operational assets, however a number of projects were only completed towards the end of 2006 or were still in progress at the end of the year.

Safety: Lost time injury frequency

- 3.0 for 2006 (2005: 3.3; 2004: 3.8).
- Overall safety performance continued to improve during the year, at the rate of 11% compared to 2005.

Service: Deliveries on time in full

- 84% for 2006 (2005: 83%; 2004: 77%).
- Continuing improvement seen year-on-year.
- Improving trend despite the IJmuiden reline and the first full year of enhanced steelmaking at Port Talbot as part of Restoring Success.

Note: Definitions for each measure are given on pages 11 and 12.

Strategy

The strategy of the Strip Products division is aimed at delivering sustainable returns through the steel cycle, to meet the Group's objective of developing a strong and sustainable competitive position in Western European markets and locations. Key objectives for the division are to:

- Selectively grow downstream value through supporting attractive market segments and by being the best supplier to the best customers.
- Develop a competitive cost base across the division, with the two integrated steelmaking sites at IJmuiden and Port Talbot delivering lowest cost hot rolled coil and;
- Develop strong sources of competitive advantage through sharing of manufacturing and technical excellence, commercial co-ordination and supply chain optimisation.

Key issues

- Despite favourable market conditions in the second half of the year and improved manufacturing performance arising from Restoring Success schemes, the operating result fell year-on-year due to the dominant effect of overall cost increases.
- The continued increase in Chinese steel demand led to a further increase in raw material costs, most notably iron ore. Whilst coking coal prices fell in 2006 as the market eased, the injection coal market remained bullish and prices increased. Heavy fund buying in the metal markets kept the price of zinc, tin and nickel at high levels throughout the year, and energy prices remained relatively high during 2006.
- The reline of no.7 blast furnace at IJmuiden was completed successfully in quarter 4 and the focus is now to deliver the enhanced steelmaking capacity at Port Talbot on a sustained basis.

Products and markets

The Strip Products division comprises the manufacture and sale of uncoated and coated strip, and welded tubes.

Uncoated strip products comprise hot rolled, cold reduced and electrical steels, which are sold both in coil form and, cut to length, in sheet form. Hot rolled coil is manufactured in a wide range of widths and thicknesses as the feedstock for cold reduced coil and welded tubes, and for many different industrial applications. Cold reduced coil and sheet are sold for use in the automotive industry (for example, in car body panels) and in the domestic appliance, engineering and metal goods industries, including the manufacture of drums and radiators. Cold reduced coil is also the main feedstock material for coated strip products.

Corus' coated strip products comprise hot dipped metallic coated products (for example, zinc and alloy-coated), pre-painted and plastic coated products, and tinplate. Steels coated with zinc, special alloys, paint or plastic provide a corrosion resistant and decorative finish, and are used by the construction industry and by manufacturers of motor vehicles and consumer durables. These steels are used for applications such as roofing,

the side cladding and decking of buildings, body panels in motor vehicles and the casing of domestic appliances. Tinplate is used for packaging in the food and beverage industries and for other domestic and industrial applications. Corus is one of the global market leaders in the manufacture of coated strip products and in steel for packaging production.

Electrical steels are manufactured by Cogent Power, which became a wholly owned subsidiary of the Group in 2006 as discussed on page 39. Hot and cold rolled coil are processed to produce a range of strip steels with precise magnetic properties, used by manufacturers of electrical equipment for transformers, motors, generators and alternators.

Corus produces steel tubes for a variety of industrial uses, including automotive and engineering applications, and pipes for oil, gas, water and air transportation. Structural hollow sections, both circular and rectangular, are used in the construction, mechanical handling, agricultural and general engineering fields.

A range of plated and precision strip products is also supplied into the battery and automotive markets, and other specialist areas.

2006 results compared with 2005

Turnover, deliveries and prices

Gross turnover for the period was £5,366m (2005: £5,140m) of which £1,044m (2005: £1,013m) was intra-group (i.e. to other divisions within Corus). The increase in gross turnover of 4% was attributable to an increase of 2% in average revenue per tonne, supported in particular by an improved product mix, and an increase of 2% in gross deliveries.

During the second half of 2005 the effects of excess supply chain inventories and subsequent market price adjustments were felt most acutely, in strip products. However Northern European prices began to stabilise in the first quarter of 2006 as inventory levels reduced and the European, North American and Asian economies improved. Selling prices continued to strengthen further during quarter 1 and quarter 2, holding firm in quarter 4 due to the continuing strong recovery in construction and industrial output in Northern Europe, especially Germany. In comparison Southern European prices also developed favourably through much of 2006, particularly in the second and third quarters, but weakened towards the end of the year as imports, especially from Asia, increased.

North American strip prices had begun to recover at the end of 2005 and continued to increase through the first three quarters of 2006. However, a reduction in demand during the second half of the year resulted in some price weakening for the final quarter of 2006.

UK demand for the division's main products, which reduced by 16% in 2005 as UK manufacturing output fell and customers reduced inventory levels, increased by approximately 11% in

2006. This was partly due to the strong performance of the UK construction sector and partly due to re-stocking as manufacturing business confidence was raised due to improving export demand.

The division's UK market share fell slightly during 2006, but remained above the recent low point of 2004. This relatively strong position was retained despite a sharp increase in third party imports and price increases announced during the year. Continuing improvements in service performance with customers, particularly delivery-to-time, helped to maintain this level of market share. The division's UK share for its main products in 2006 as a whole was at 51% compared with 52% in 2005.

Gross deliveries in the year were 11.4mt, compared with 11.1mt in 2005. The increase in 2006 reflected enhanced steel production at Port Talbot, following commissioning of investments under the UK restructuring programme during 2005, and production constraints in 2005 to align output with reduced market demand. Furthermore the increase arose despite lower production volumes resulting from the blast furnace reline at IJmuiden (although sales were supported by slab inventory produced in advance) and the business disposals and closures in the year. Intra-group sales accounted for 2.5mt (2005: 2.6mt), leaving external market sales at 8.9mt, as against 8.6mt in 2005.

Average revenue per tonne in the first half of 2006 was £453, increasing to £491 in the second six months as selling prices recovered. This was equivalent to a full year average of £471 comparing favourably with £461 for 2005.

The sustained high demand for 'grain oriented' electrical steels through 2006 was of particular note. In addition underlying demand for tubes in Europe strengthened with a recovery in demand from the German construction sector, which has experienced abnormally weak conditions recently. In contrast the packaging market was subject to price competition as competitors brought additional capacity into use.

Operating costs

Operating costs during 2006 were £5,021m, a significant increase of approximately 10% from the prior year, both before and after restructuring and impairment costs and profit on disposals. As in 2005, the increase was driven by higher raw material costs, particularly iron ore, coal and zinc, and energy prices, primarily in the UK.

Growth in the iron ore sea-borne market remained strong in 2006 as China increased its imports yet further, pushing prices for ore fines higher. Whilst coking coal costs fell in the year, the injection coal market saw price increases at a time when Corus' furnace coal injection rates are increasing, particularly in the UK. High zinc prices reflected heavy fund buying in the commodity markets, where tin and nickel prices were also kept at relatively high levels in 2006. The trend in UK energy costs seen towards the end of

2005, driven by rising oil prices and market perceptions of insufficient UK gas supply, also continued into 2006.

Operating result

The operating profit for 2006 was £345m, a reduction of £260m compared with 2005. Excluding restructuring and impairment costs and profit on disposals, the underlying result reduced by £245m due to continuing high, or increasing, input costs which, were not wholly recovered in selling prices nor offset by manufacturing efficiencies. The blast furnace reline at IJmuiden also reduced profitability due to the opportunity cost of reduced production and sales volume.

The operating profit in the first half of 2006 was £186m, falling to £159m in the second six months, despite a net charge of only £1m for restructuring and impairment costs in the same period. This reduction was largely driven by the reline event at IJmuiden, extended maintenance down time at Port Talbot during quarter 4 and the full effect of raw material increases within cost of goods sold.

2005 results compared with 2004

Turnover, deliveries and prices

Gross turnover for the period was £5,140m (2004: £4,724m) of which £1,013m (2004: £841m) was intra-group (i.e. to other divisions within Corus). The increase in gross turnover of 9% was attributable to an increase of 18% in average revenue per tonne, partially offset by a reduction of 8% in gross deliveries.

The impact of the build up of excess supply chain inventories and the subsequent market adjustments that characterised the global steel market in 2005 were felt most acutely in strip products. In the division's core European markets, demand slowed in quarter 4, 2004 and then fell more sharply in the first half of 2005 as customers sought to reduce excess inventories. Southern European markets became especially weak owing to strong competition from low priced third country imports and very high levels of inventory. Demand continued to fall through the second half of the year as excessive steel inventories were drawn down and customers delayed purchasing decisions. Divisional steel production was constrained during the period in response to the lower demand, retaining a strong control on working capital performance. By the end of quarter 4, 2005, inventory levels were generally considered to have returned to normal levels. Underlying demand in Europe remained weak through 2005, although there was some pick up in Southern European markets in quarter 4. Some improvement was also seen in the construction sector, which accounts for a significant portion of the output of coated strip products.

UK demand for the division's main products, having increased in 2004 as customers built up inventories, fell by some 16% in 2005. This was partly a reflection of the decline in UK manufacturing output in 2005, with the closure of MG Rover affecting UK car production, but was mainly as a consequence of customers reducing inventory levels during the year.

The division's UK market share improved significantly during 2005 from the low point reached in 2004. Whilst this partly reflected a reduction in imports, especially during the second half of the year, the marked improvement in service performance with customers, particularly delivery-to-time, was also a key feature. The division's UK share for its main products in 2005 as a whole was 52% compared with 49% in 2004.

Gross deliveries in the year were 11.1mt, compared with 12.1mt in 2004, with the reduction partly reflecting production constraints in line with reduced market demand and partly the decision to build slab stock ahead of the 2006 blast furnace reline at IJmuiden. Of that total, intra-group sales accounted for 2.6mt (2004: 2.5mt), leaving external market sales at 8.6mt as against 9.6mt in 2004.

Average revenue per tonne for the period amounted to £461 compared with £392 in 2004.

Despite only moderate economic growth in Europe, selling prices continued to improve in quarter 1, 2005. The main driver was the continuing high Chinese demand for steel and the subsequent need for the steel industry to pass on the sharp rises in raw material prices. Other contributing factors were price increases on annual and formula based contracts, including in the automotive and packaging sectors.

By quarter 2, 2005, prices began to come under increasing pressure and spot prices for strip steel fell back from the quarter 1 levels. As demand fell and customers began to reduce inventories more quickly, mainland European spot prices weakened significantly during quarter 3, before stabilising in quarter 4. UK selling prices followed the same trend as those in mainland Europe.

The strong growth in demand through 2005 for 'grain oriented' electrical steels was of particular note. The battery market also improved in 2005 with demand rising as a consequence of hurricanes in the US and cost increases in raw materials, including nickel, being passed on to customers.

Operating costs

Operating costs for the period were £4,535m, 5% higher than in the previous year, both before and after restructuring and impairment costs and profit on disposals. The increase was driven by higher raw material and energy prices, which partly offset manufacturing efficiencies.

The continued increase in Chinese steel demand in the early part of the year had led to significant increases in the cost of raw materials (iron ore, coal, coke). Scrap was also at high price levels during the year, although not the record levels seen in 2004. Purchase prices for external feedstock and downstream coatings (such as zinc, tin and nickel) also increased. However, the increased costs were partly offset by improved efficiency in material usage.

In the latter part of 2005 there was also a significant increase in energy costs. The rise in global oil prices during the year led to significant increases in electricity prices across Europe, whilst a decline in UK natural gas supplies led to record prices. In November and December these factors were exacerbated by widespread market concerns that there might be insufficient natural gas supply to meet UK demand.

Operating result

The operating profit for 2005 was £605m, an improvement of £188m compared with 2004. Excluding restructuring and impairment costs and profit on disposals, the underlying result improved by £187m due to the factors discussed above. In particular, the average higher selling prices and benefits from Restoring Success were partially offset by increases in raw material and energy costs and reductions in sales volumes. In addition, there was a non-recurring credit of £16m in the year from settlement of a long-standing legal claim.

Investment

Capital expenditure in 2006 was £241m (2005: £228m; 2004: £210m), with several major schemes completed in the year. At IJmuiden these were the reline of no.7 blast furnace, the vertical bending continuous casting machine, the Paul Wurth top for no.7 blast furnace, the refurbishment of the pellet plant and the increased organic coated steel capacity. At Port Talbot, the upgrade of reheat furnaces and the granulated coal injection project were completed.

Three major schemes were in progress as at the end of 2006 as part of The Corus Way. At IJmuiden the installation of a new continuous galvanising line and a new 3-stand cold rolling mill has started. The galvanising line will increase capacity for the automotive market in order to reinforce the existing market position and, in particular, will be able to produce speciality high strength steel grades. Enhancement of the cold rolling mill is necessary to increase cold rolling capacity in support of the new galvanising line. Replacement of the computer control system for the hot strip mill is also progressing to plan, with completion scheduled for quarter 3 of 2007.

The heat recovery scheme at Port Talbot, for blast furnaces 4 and 5, was also started in 2006. This system is designed to eliminate the requirement to use natural gas as enrichment fuel on both blast furnace stoves. Waste gas from the blast furnaces will be used as alternative fuel, giving a beneficial environmental impact.

Major capital projects

Completed in the period	Capital cost £m	Completion date
IJmuiden – reline of no.7 blast furnace	60	Q4 06
IJmuiden – vertical bending continuous casting machine	22	Q4 06
IJmuiden – Paul Wurth top for no.7 blast furnace	21	Q4 06
IJmuiden – refurbishment of pellet plant	14	Q4 06
IJmuiden – increase in organic coated steel capacity	11	Q1 06
Port Talbot – granulated coal injection	14	Q1 06
Port Talbot – upgrade of reheat furnaces	16	Q3 06
In progress at end December 2006	Capital cost £m	Completion date
IJmuiden – replacement of the control system for the hot rolling mill	17	Q3 07
IJmuiden – galvanising and cold rolling capacity	153	Q4 08
Port Talbot – no.4 and 5 blast furnace heat recovery	14	Q3 07

Long Products Division

Performance summary

£m unless stated	2006	2005	2004
Turnover:			
Gross	2,698	2,679	2,605
Intra-group	569	714	750
External	2,129	1,965	1,855
Deliveries (kt):			
Gross	7,281	7,123	8,172
Intra-group	1,669	2,370	3,062
External	5,612	4,753	5,110
Operating profit	35	89	248
Operating profit (before restructuring & impairment costs and profit on disposals)	35	106	162
Employee numbers at year end (headcount)	11,600	11,800	12,900
Capital expenditure (property, plant and equipment)	156	115	106

Key Performance Indicators

Working capital/turnover

- 16% for 2006 (2005: 16%; 2004: 13%).
- Increased raw material costs have kept inventories at relatively high values.
- Trade debtors increased in line with turnover towards the end of the year, as selling prices were increased.

EBITDA margin

- 4% for 2006 (2005: 6%; 2004: 9%).
- The reduction year-on-year reflected further increases in input costs, that could not be fully recovered as selling prices only strengthened in the second half of the year.
- Work-up costs at Engineering Steels largely offset manufacturing efficiencies from Restoring Success.

Return on net assets

- 3% for 2006 (2005: 11%; 2004: 19%).
- Reduction in profitability year-on-year, as explained above.
- Continuing substantial capital investment increasing operational assets, but some only completed towards the end of 2006 or were still in progress at the end of the year.
- The divisional return on assets also reflects the fact that Teesside Cast Products only sells steel slab to the off-take partners at cash cost.

Safety: Lost time injury frequency

- 2.9 for 2006 (2005: 3.5; 2004: 4.1).
- Overall safety performance continued to improve significantly during the year.
- The division is continuing to set itself challenging targets.

Service: Deliveries on time in full

- 87% for 2006 (2005: 85%; 2004: 83%).
- Modest improvement seen year-on-year.

Note: Definitions for each measure are given on pages 11 and 12.

Strategy

In meeting the Group's objective of developing a strong and sustainable competitive position in Western European markets and locations, the strategy of the Long Products division is to:

- Define and develop core products for which Corus is capable of achieving a position as a recognised leading European supplier; and
- Build on a solid UK and Northern European market base by focusing on improving competitiveness in terms of product cost, range, quality and customer service.

Key issues

- Major transition and development of the division continued through this period, with efforts focused on minimising commissioning costs and maintaining continuity of supply to the core customer base.
- Good progress made with the first phase of the £130m investment to improve the competitive position of sections, rail and wire rod. Rail production was successfully transferred to Scunthorpe, with the first commercial deliveries in December 2006, along with completion of the new Scunthorpe rail service centre.
- Work-up of the new Engineering Steels' facilities at Rotherham has continued, with renewed reliance on rolling capacity at Stocksbridge.
- Implementation of the new organisational structure around three business hubs, to ensure alignment of commercial policy, optimise deployment of steelmaking and downstream capacity and increase focus on quality, delivery and operational performance.

Products and markets

The Long Products division comprises the manufacture and sale of section products, plates, wire rod, narrow strip, engineering steels and semi-finished carbon steel products.

Sections (including beams, columns, bearing piles, joists and channels, rails and sleepers) are used in the construction, engineering, mining and railway industries. Special sections are used in automotive components, earth-moving equipment, forklift trucks and the mining industry. Plates are used in a broad range of applications, including offshore oil and gas production, renewable energy, power generation, mining, earth-moving and mechanical handling equipment, shipbuilding, boiler and pressure vessels, and structural steelwork. Wire rod is used for drawing into a variety of wire products.

The wide range of engineering steels products supplied includes free cutting, spring, forging and general steels for the automotive and related markets. Additionally, specialist steels are produced for the aerospace, power generation, oil and gas exploration and engineering industries.

The division also supplies semi-finished steel in the form of billets, blooms and slabs to third parties and to other parts of the Group.

2006 results compared with 2005

Turnover, deliveries and prices

Gross turnover for the period was £2,698m (2005: £2,679m) of which £569m (2005: £714m) was intra-group. The increase in gross turnover of 1% was attributable to an increase of 2% in gross deliveries, supported in particular by improved productivity at Scunthorpe, offset by a decrease of 1% in average revenue per tonne.

During 2005, demand in the Long Products core markets generally fell as customers, particularly stockholders, sought to reduce excess inventories. As a consequence, output was constrained and the division had to reduce or hold its selling prices. This trend continued through to the first quarter of 2006, when average selling prices reached a low point. However, there was a gradual improvement in trading conditions through the remainder of 2006, supported by strengthening demand in the UK and European construction markets, allowing some increases in selling prices to be achieved. This recovery in demand for the division's major volume products of structural sections and commodity grade plate, together with improved contract agreements that were secured for the supply of rail to key customers and the strength of high value-added engineering steels markets, all contributed to an improvement in financial performance in the second half.

UK demand for the division's main products, which fell by 18% in 2005 largely as a result of inventory reductions, increased by 12% in 2006. This was largely due to the strong performance of the UK construction sector, together with improved demand from other end user sectors and some limited restocking. Despite increased import pressures for some products, continuing improvements in service performance with customers, notably delivery-to-time, helped the division's UK market share for its main products to remain steady at 52% in 2006.

Gross deliveries in the year of 7.3mt, were somewhat higher than 7.1mt in 2005, reflecting improved productivity at Scunthorpe in 2006 and the output constraints of quarter 3, 2005, which had been considered necessary at that time to reduce inventories to more normal levels. Of that total, intra-group sales accounted for 1.7mt (2005: 2.4mt), as the increased steelmaking capacity at Port Talbot reduced the need for internal slab transfers from Teesside. Hence external market sales at 5.6mt were higher than the 4.8mt in 2005 as Teesside increasingly focused on supplying the external consortium of re-rollers.

Average revenue per tonne for the period was £371 compared with £376 in 2005. For the first six months of the year this average was just £357, but increased to £386 in the second half. Selling prices for the division's main products began 2006 at a low level, reflecting the decline through 2005. However, as 2006 progressed, prices improved from these trough levels in line with the development of the global steel market generally, with Europe seeing quarter-on-quarter rises during the second half of the year.

Operating costs

Operating costs for the period were £2,663m, which was 3% higher than in the previous year, and 4% higher before restructuring and impairment costs and profit on disposals. Raw material and consumable costs increased significantly during 2006, as the increase in Chinese steel demand had led to further cost rises, most notably for iron ore, coal and alloys. In addition, significant increases in energy costs, particularly gas and electricity in the latter part of 2005 kept prices higher through much of 2006; the impact being most acute on the electric arc furnace production route at Engineering Steels.

Operating result

The operating profit for 2006 was £35m, a reduction of £54m compared with 2005. Excluding restructuring and impairment costs and profit on disposals, the underlying result in 2006 was still £35m, compared to £106m in 2005, reflecting the difficulty that the division experienced in passing on further increases in raw material costs in a challenging market environment, particularly in the first half of the year.

The operating profit recovered to £30m in the second half of the year compared to £5m in the first half of 2006, reflecting the improving market conditions as increases in selling prices started to be realised in quarter 3, combined with the benefit of an improvement in commissioning performance at Engineering Steels.

2005 results compared with 2004

Turnover, deliveries and prices

Gross turnover for the period was £2,679m (2004: £2,605m) of which £714m (2004: £750m) was intra-group. The increase in gross turnover of 3% reflected an increase in average revenue per tonne of 18%, partly offset by the disposal of Tuscaloosa in 2004 and restrictions in output in 2005, which resulted in sales volumes being approximately 1mt (13%) lower than 2004.

Strong demand across the division's high volume markets during the second half of 2004 led to a position of overstocking in the supply chain of some markets, most notably for sections and plate in the UK and mainland EU. In 2005, demand in these core markets fell as customers, particularly stockholders, sought to bring down excess inventories. To a lesser extent demand was also affected by reduced end-use activity, particularly in relation to rod for wire drawing in the UK. Output was constrained across a number of product sectors from quarter 2, 2005 in order to bring inventories to more normal levels. This reduction in demand for the division's major volume products of structural sections and commodity grade plate and rod was partly offset by continuing strong demand for rail and higher value added products such as aerospace, special profiles, higher grade plate and rod for tyre cord. This resulted in an improved overall product mix.

In the UK underlying steel consumption in construction remained strong, but the inventory reductions that took place during the year meant that overall UK demand for the division's main

products is estimated to have fallen by 18% year-on-year. The division's UK market share for its main products decreased slightly to 52% in 2005 from 53% in 2004. The share taken by imports also fell slightly, while the share taken by other UK producers increased, notably for plate.

Gross deliveries in the year were 1.1mt lower than in 2004 at 7.1mt, reflecting the above factors. Of that total, intra-group sales accounted for 2.4mt (2004: 3.1mt), leaving external market sales at 4.7mt, 0.4mt lower than 2004.

Average revenue per tonne for the period amounted to £376 compared with £319 in 2004.

Selling prices for the division's main products began 2005 at a high level, reflecting the significant increases that had been achieved during 2004, particularly in the second half. However, as 2005 progressed, prices declined from these peak levels in line with the development of the global steel market generally. Despite this decline, average selling prices for the year were still higher than in 2004 and, as a result, average revenue per tonne increased by £57 year-on-year. Within the average selling price in 2005 there was also a benefit related to the mix improvement initiatives that were part of the Restoring Success programme, which saw an increase in the proportion of higher added value products in the sales mix.

Operating costs

Operating costs for the period were £2,590m (2004: £2,357m), which was 10% higher than in the previous year, and 5% lower before restructuring and impairment costs and profit on disposals. Raw material and consumables costs increased significantly during the year, as the increase in Chinese steel demand had led to significantly higher prices, most notably for iron ore, coal and alloys. In addition, the global increase in oil prices pushed up energy costs, with gas and electricity prices accelerating sharply during the latter part of the year; the impact being most acute on the electric arc furnace production route. However, the increase in unit cost was masked by lower production volumes. Congestion at unloading ports at the beginning of the year, combined with exceptionally high international bulk shipping rates, also adversely affected operating costs.

Major capital projects

Completed in the period	Capital cost £m	Completion date
Scunthorpe – reline of Queen Victoria blast furnace	19	Q2 06
Scunthorpe – premium rod strategy	13	Q4 06
Scunthorpe – medium section mill distribution centre	10	Q4 06
In progress at end December 2006	Capital cost £m	Completion date
Scunthorpe – long products strategic developments	130	Q3 07
Scunthorpe – reline of Queen Bess blast furnace	17	Q1 07
Teesside – slab caster enhancement	20	Q4 07

Operating result

The operating profit for 2005 was £89m, a reduction of £159m compared with 2004. The operating result for 2004 included the reversal of an existing impairment provision in respect of the Teesside property, plant and equipment following the signing of the off-take agreement. Excluding restructuring and impairment costs and profit on disposals, the underlying result worsened by £56m, reflecting the sale of the Tuscaloosa business and the sale of slab from Teesside under the off-take agreement at cost rather than market price.

Investment

Capital expenditure in 2006 was £156m (2005: £115m; 2004: £106m). Three major schemes were completed during 2006, namely the reline of Queen Victoria blast furnace, the premium rod strategy scheme and the medium section mill distribution centre. Two major schemes approved for Scunthorpe in 2005 were also in progress at the end of 2006 being the Long Products strategic developments scheduled for completion in quarter 3, 2007 and the reline of Queen Bess blast furnace to be completed in quarter 1, 2007. Another scheme in progress at the end of the year was the slab caster enhancement at Teesside.

As part of The Corus Way, a strategic scheme is underway at Scunthorpe that includes developments of the medium section mill, rod mill and bloom casting. Its first objective is to enable the rolling of transport rail and other rail sections, as well as enhancing the other section rolling capabilities. The second stage of the plan will allow the production of large bloom to use as rail feedstock. This scheme is progressing in line with current plans.

The Queen Bess blast furnace at Scunthorpe was rebuilt in 1997 and a mid campaign repair commenced in October 2006 during which stove coolers, throat armour, hearth refractory and the gas cleaning plant were replaced. This mid campaign repair will support operations at the furnace for approximately 10 years (or 10mt of production) before the next outage.

The slab caster enhancement project at Teesside involves installing hydraulic width control and making structural modifications and improvements to water-cooling systems. Benefits of the scheme mainly arise from increased caster output and improved quality. As the project is being made under the terms of the off-take agreement, almost 76% of the total investment costs will be funded by the external consortium of re-rollers.

Distribution & Building Systems Division

Performance summary

£m unless stated	2006	2005	2004
Turnover:			
Gross	3,115	3,021	2,606
Intra-group	56	50	72
External	3,059	2,971	2,534
Deliveries (kt):			
Gross	6,612	6,617	6,348
Intra-group	154	163	153
External	6,458	6,454	6,195
Operating profit	87	48	66
Operating profit (before restructuring & impairment costs and profit on disposals)	81	44	79
Employee numbers at year end (headcount)	5,700	5,700	5,800
Capital expenditure (property, plant and equipment)	16	21	14

Key Performance Indicators

Working capital/turnover

- 10% for 2006 (2005: 10%; 2004: 11%).
- Working capital performance remained strong, maintaining the level seen in 2005. This was despite higher raw material costs and sales prices inflating inventory and receivables values respectively.

EBITDA margin

- 3% for 2006 (2005: 2%; 2004: 4%).
- EBITDA margins improved compared to last year, as sales prices developed strongly into the final six months of 2006.

Return on net assets

- 18% for 2006 (2005: 10%; 2004: 19%).
- Higher returns expected when compared with the Strip Products and Long Products divisions, given the lower level of capital investment required.
- Strong returns in 2006, with businesses taking advantage of favourable pricing trends.

Safety: Lost time injury frequency

- 1.1 for 2006 (2005: 1.9; 2004: 4.4).
- A significant improvement achieved, once again, with a further reduction of 42% compared to 2005.

Service: Deliveries on time in full

- 92% for 2006 (2005: 92%; 2004: n/a).
- Performance consistently above 90%, the level considered necessary to compete in distribution and building systems markets.
- 2004 comparative figures were not collated on a consistent basis throughout the division, or at each of its sites, and are therefore not presented here.

Note: Definitions for each measure are given on pages 11 and 12.

Strategy

As part of The Corus Way, the division has been implementing a strategy of strengthening its key 'route to market' role for the Strip Products and Long Products divisions, whilst developing its potential as a value creator and platform for growth. The division is now clearly demonstrating improvement in performance in both distribution and building systems through the roll out of efficiency programmes, exploiting more profitability within the supply chain and developing into more specialist products and services. Corus International continues to grow by focusing on opportunities in international projects within selected worldwide sectors.

Key issues

- The targeted cumulative Restoring Success benefits for the division were fully realised by the end of the year.
- Building systems businesses saw particularly strong performance, with increased sales whilst maintaining their relative cost base at 2005 levels. The International business continued to move forward with its growth plans and the distribution businesses benefited from being able to mobilise quickly in response to strong demand in mainland Europe.

Products and market

The Distribution & Building Systems division provides an essential link between the Corus production facilities and steel user industries through its distribution and building products businesses, its trading and project activities, and its worldwide network of sales offices.

Corus sells its carbon steel products direct to end users and through its own and external stockholding and service centre businesses. Typically, high-volume purchasers buy directly from Corus mills, whereas low-volume customers buy from stockholders and service centres, including those owned by Corus. Stockholders purchase steel from steel producers for subsequent resale and service centres purchase steel inventories for further processing prior to selling to customers.

Corus has a number of stockholders and service centres in various EU countries. The stockholding and service centre sector plays a major role in the distribution of most finished products in the EU steel market. In addition to offering rapid off-the-shelf service to low-volume customers, major stockholders and service centres, including Corus' businesses, increasingly offer further processing facilities to sectors such as the automotive, construction and earth-moving equipment industries.

Corus' building product businesses, in the main, manufacture goods used in the construction of an industrial building's external envelope. Products range from profiled steel and aluminium sheets to sandwich panels to clad roofs and walls to other ancillary items. The Kalzip business also designs and manufactures complete roofs and walls (principally from aluminium) and supplies to many high profile construction projects worldwide.

Corus International forms part of the division and consists of two major business streams, namely Trading and Projects, and is responsible for managing Corus' network of sales offices throughout the world. Trading operates on a global basis buying and selling steel both internally and externally. Projects also operates globally and is responsible for sourcing multi-metal requirements and providing supply chain services on major construction projects.

2006 results compared to 2005

Turnover, deliveries and prices

Gross turnover for the period increased by 3% to £3,115m (2005: £3,021m) of which £56m (2005: £50m) was intra-group. This increase was entirely attributable to higher average revenues per tonne across the division. Gross turnover in the second half of 2006 increased to £1,675m from £1,440m in the first half, as market conditions improved significantly in quarter 3 and then steadied towards the end of the year.

In the UK and mainland Europe, market demand for the core products processed and distributed by the division recovered during 2006, for both strip and long products. Demand from the building products sector also improved when compared with 2005.

Gross deliveries in the year, at 6.6mt, were broadly flat compared with 2005, with the vast bulk of sales being to the external market in both years. Within this total, distribution and building product volumes improved in 2006, reflecting the general market recovery. The International projects business also saw volumes increase, as it continued to focus on high value-added business in Asia, but this was more than offset by a reduction in trading volumes compared with the very strong position in 2005.

Average revenue per tonne for the period was £471 compared with £457 in 2005. This primarily reflected the development of the European distribution and building systems operations as they focus on strategic end users whilst also making efforts to extend the customers base. Average revenue per tonne increased from £453 in the first half to £488 in the second half due to the initial decline in prices in the first quarter of 2006, as a continuation of the downward trend from the end of 2005. Following this, there were increases in both the second and third quarters and more modest increases in the last quarter of the year.

Operating costs

Operating costs for the period were £3,028m, which was 2% higher than in the previous year both before and after restructuring and impairment and profit on disposals. The increase reflected cost of sales supporting the higher turnover, as supplying mill prices again rose significantly.

Operating result

The operating profit for 2006 was £87m, an increase of £39m compared with 2005. Excluding restructuring and impairment costs and profit on disposals, the underlying result increased by £37m as a consequence of improved market conditions, particularly in the European distributions and building systems businesses, and a better sales mix in the international projects and trading business.

The operating profit, before restructuring and impairment costs and profit on disposals, in the first half of 2006 was £21m, increasing to £60m in the second half. This reflected strong demand, higher deliveries and the consequence of fully implementing the price rises announced in the second and third quarters of the year.

2005 results compared to 2004

Turnover, deliveries and prices

Gross turnover for the period was £3,021m (2004: £2,606m) of which £50m (2004: £72m) was intra-group. The increase in gross turnover of 16% was attributable to higher prices on average up by 11% and increased deliveries up by 4%, mainly in the Trading and Projects businesses.

In the UK, market demand for the core products processed and distributed by the division weakened in 2005 for both strip and long products. In mainland European markets, a similar trend was experienced. Demand for the building products sector remained flat in comparison with 2004.

Gross deliveries in the year were 6.6mt, compared with 6.3mt in 2004, with the vast bulk of sales being to the external market. Trading and Projects business volumes increased significantly in 2005, reflecting the successful growth strategy of Corus International. Distribution sales reduced due to lower demand in European markets.

Average revenue per tonne for the period amounted to £457 compared with £411 in 2004, reflecting the full impact of the selling price increases in the latter part of 2004 and further increases in the first half of 2005.

Operating costs

Operating costs for the period were £2,973m, which was 17% higher than in the previous year and 18% higher before restructuring and impairment and profit on disposals. The increase was driven by steel costs as supplying mill prices rose significantly. Other operating costs were at a similar level to 2004 as cost reduction measures compensated for inflationary increases.

Operating result

The operating profit for 2005 was £48m, a reduction of £18m compared with 2004. Excluding restructuring and impairment costs and profit on disposals, the underlying result decreased by £35m as both margins and sales volumes in distribution reduced compared to 2004. Margins reduced as a consequence of lower gains from price change effects on inventory and reduced volumes due to weaker demand.

Investment

Capital expenditure in 2006 was £16m (2005: £21m; 2004: £14m). The majority of the expenditure was on relatively small schemes, being essential replacements to maintain the activities of the business and to meet safety and environmental obligations. The most important individual scheme completed during the year was the pickling and cold rolling enhancements at Corus Laminación y Derivados (Layde) in Spain. An investment to improve the competitiveness of the French distribution activities through a number of logistics and warehousing enhancements was approved during 2006, and is due for completion during quarter 4, 2007.

Major capital projects

Completed in the period	Capital cost £m	Completion date
Layde – pickling line optimisation and service centre development	5	Q4 06
In progress at end December 2006	Capital cost £m	Completion date
France – enhancement of distribution sites around Paris	6	Q4 07

Aluminium Division

Performance summary

£m unless stated	2006	2005	2004
Turnover			
Gross	231	98	110
Intra-group	19	18	17
External	212	80	93
Deliveries (kt)			
Gross	162	95	109
Intra-group	5	5	7
External	157	90	102
Operating loss	(23)	(51)	(34)
Operating profit (before restructuring & impairment costs and profit on disposals)	(23)	(22)	7
Employee numbers at year end (headcount)	1,000	1,000	1,000
Capital expenditure (property, plant and equipment)	4	12	5
Result from discontinued operations	35	19	33

Key Performance Indicators

Working capital/turnover

- 8% for 2006 (2005: 9%; 2004: 14%).
- Working capital successfully managed despite increases in LME metal prices year-on-year impacting on the value of both inventories and receivables.

Safety: Lost time injury frequency

- 2.7 for 2006 (2005: 1.3; 2004: 3.1).
- Focused programmes to improve results are being introduced at each of the smelter sites during 2007.

Service: Deliveries on time in full

- 91% for 2006 (2005: 97%; 2004: n/a).
- Majority of deliveries are to the former Corus aluminium downstream operations.
- 2004 comparative figures not collated on a consistent basis by the continuing operations, and therefore not presented here.

Note: Definitions for each measure are given on pages 11 and 12. Measures of EBITDA margin and Return on net assets are not considered applicable for the continuing aluminium operations due to the losses in 2006 and 2005, and the impairments made in prior years against the property, plant and equipment.

Corus' Aluminium division was originally formed from the combination of primary aluminium, rolled products and extrusions businesses, supported by metal trading activities, with the primary activities providing approximately 40% of the needs of the other businesses. However the rolled products and extrusions businesses were sold to Aleris International Inc. on 1 August 2006 and have been classified as discontinued operations in all periods presented above. Turnover and operating profit for the Aluminium division now only reflects the aluminium smelting and metal trading operations retained by Corus, although these operations continue to provide metal and services to the disposed units. From 1 August 2006 onwards,

turnover and cost of sales to the disposed businesses from the primary activities (approximately £213m in 2005), previously eliminated on consolidation, are now included as part of the Group's external results.

Strategy

The strategy of the Aluminium division is to achieve a positive cash flow and operating result for both smelters in the medium term, whilst acknowledging the Group's intention to focus on carbon steel.

Key issues

- Turnover includes sales to the former downstream businesses that became external to the division in quarter 3, 2006. Underlying sales prices of the continuing operations also rose as a consequence of the higher LME during 2006.
- Whilst the continuing businesses have made losses year-on-year, margins have improved in 2006 from developments in LME prices.
- Negotiations to secure a competitive electricity contract for the smelter at Delfzijl in the Netherlands are continuing, following the long term agreement secured at Voerde in Germany during October 2005.

Products and markets

The primary aluminium smelters produce approximately 272kt of rolling ingots and billets of which almost 196kt is made from alumina (processed bauxite) using an electrolysis process. Approximately 75% of this output is still dedicated to those downstream operations sold to Aleris, with the remainder sold to external customers under tolling or direct sales contracts.

2006 results compared to 2005

Turnover, deliveries and prices

Gross turnover for the period was £231m (2005: £98m) of which £19m (2005: £18m) was intra-group (i.e. sales to other divisions of Corus from the metal trading function). The increase in gross turnover of £133m was largely attributable to the inclusion of sales to the former downstream businesses that became external to the division in quarter 3, 2006. However the underlying sales prices of the continuing operations also rose as a consequence of the higher LME.

Operating costs

Operating costs for the period were £254m, and included raw material and production costs on external sales to the former downstream businesses. The inclusion of these costs distorts the comparison with the prior year figure of £149m in 2005, or £120m before restructuring and impairment costs. Once again, the continuing increase in the LME led to higher costs for alumina, scrap and cold metal. In addition energy prices have also continued to increase in 2006. Costs also included a £8m charge (2005: £2m) relating to the mark to market treatment of the long term electricity contract at the Voerde smelter, under IAS 39.

Operating result

The operating loss for 2006 was £23m, an improvement of £28m compared with the operating loss of £51m in 2005, which included mark to market losses on derivative commodity contracts that are now being hedge accounted, thereby reducing volatility in the operating result. The result for 2005 had also included impairment charges in respect of the division's smelting operations in Europe. Excluding restructuring and impairment costs and profit on disposals, the underlying result remained broadly unchanged, indicating an improvement in margins given the high turnover value.

The operating loss in the first half of 2006 was £12m, modestly improving to a loss of £11m in the second half due to improved product prices.

2005 results compared to 2004

Turnover, deliveries and prices

Gross turnover for the period was £98m (2004: £110m) of which £18m (2004: £17m) was intra-group. The decrease in this external turnover of 11% was largely attributable to a 5% increase in demand for ingots from the downstream Corus businesses (representing sales that were subject to elimination upon consolidation with the discontinued operations).

Operating costs

Operating costs for the period were £149m, 17% higher than in the previous year before reflecting restructuring and impairment costs, but broadly similar after such charges. The significant increase in the LME led to higher costs for alumina, scrap and cold metal. In addition, energy prices were significantly higher in 2005 when compared to 2004. Costs also included a charge of £17m related to mark to market losses on derivative commodity contracts following the adoption of fair value accounting during the period; these charges were originally reduced in the consolidated Aluminium division by similar, offsetting, gains in the downstream businesses. There was also a £2m (2004: £nil) relating to the mark to market treatment of the long term electricity contract, signed during the period, at the Voerde smelter in Germany.

Operating result

The operating loss for 2005 was £51m, a deterioration of £17m compared with the operating loss of £34m in 2004, was mainly due to the inclusion of the derivative losses. Restructuring and impairment costs in both years included impairment charges in respect of the smelting operations.

Major capital projects

Completed in the period	Capital cost £m	Completion date
Vogt – new 45 MN extrusion press	8	Q2 06
Duffel – narrow width slitter	6	Q3 06
Duffel – upgrade two slab preheating furnaces	5	Q2 06

Investment

Capital expenditure on continuing operations in 2006 was £4m (2005: £12m; 2004: £5m). There were no major schemes either in progress at the end of the year, or completed during the year. The focus of capital expenditure has been on essential replacements to maintain the activities of the business and to meet safety, environmental and related obligations.

Discontinued operations

Results from discontinued operations represent the aluminium rolled products and extrusions businesses sold in August 2006. These downstream businesses focused on selling products to high value added markets to differentiate them from high volume and/or low cost commodity producers. Almost 40% of the metal needs of these operations were met from the primary aluminium smelters retained by Corus and this relationship will continue for the medium term despite the sale of the downstream operations. The main sites of the disposed businesses included aluminium rolling mills at Koblenz, Germany, Duffel, Belgium and Cap-de-la-Madeleine, Canada (prior to disposal 60% owned); and the extrusion lines at Vogt, Bonn and Bitterfeld, Germany, Duffel, Belgium and Tianjin, China (prior to disposal 61% owned). The current period result of £35m (2005: £19m; 2004: £33m) is summarised as follows:

£m unless stated	2006	2005	2004
External turnover	687	985	959
External deliveries (kt)	306	542	551
Operating profit	35	37	45
Net finance costs	(2)	(5)	(5)
Taxation	(7)	(13)	(7)
Gain on disposal	9	–	–
Results from discontinued operations	35	19	33
Employee numbers (headcount)	4,500	4,700	4,700
Capital expenditure (property, plant and equipment)	22	38	38

Whilst net finance costs and taxation are managed centrally on behalf of Corus as a whole, amounts have been included as attributable to the discontinued operations above, on a reasonable and consistent basis for the purposes of the presentation required by IFRS 5.

Despite the strategy of disposal, Corus remained committed to maintaining the global competitive position of its rolled products and extrusions businesses whilst they remained under its control. This included continuing to invest in capital schemes, with major projects outlined below.

Central and other Performance summary

£m unless stated	2006	2005	2004
Turnover:			
Gross	98	77	67
Intra-group	87	65	59
External	11	12	8
Operating profit/(loss)	13	(48)	(80)
<i>Operating profit/(loss) (before restructuring & impairment costs and profit on disposals)</i>	3	<i>(53)</i>	<i>(74)</i>
Employee numbers at year end (headcount)	1,600	1,600	1,300
Capital expenditure (property, plant and equipment)	10	9	2

Key issues

Certain activities are managed centrally and undertaken on behalf of some or all divisions in the Group. These functions include:

- research and development (with over 950 employees located in the UK and the Netherlands);
- supplies and purchasing support;
- commercial co-ordination;
- health and safety;
- human resources;
- legal services;
- corporate relations;
- corporate development and strategy;
- Group secretariat;
- property;
- finance related functions such as reporting and control, corporate finance, internal audit, mergers and acquisitions, investor relations and UK financial shared services; and
- Group senior management.

Where appropriate, the net costs of these functions are allocated to the operating division results. However, certain costs are not allocated in this way, including charges relating to stewardship, corporate governance and country holdings, and Group consolidation entries. During any one period there may also be a small number of individually non-recurring costs charged to the 'Central and other' result. In 2006 non-recurring items gave rise to a net credit of £44m (2005: net charges of £29m; 2004: net charges of £32m); these included a £96m pension credit, primarily related to the revised British Steel Pension Scheme contribution and benefits framework agreed in February 2006; and transaction costs associated with the Group's acquisition by Tata Steel amounting to £77m, including provision for the inducement fee payable to CSN described on page 151; and credits for the sale of emission rights. Non-recurring items in 2005 included costs associated with renegotiating the Group's syndicated bank facility and the impact of a fire at Port Talbot (which fell within the Group's self-insurance limits). In 2004 non-recurring items included insurance costs for historic exposures of personnel, advisor fees on transactions such as the long term supply agreement for Teesside Cast Products, and provision against the transfer of AvestaPolarit employees from the British Steel Pension Scheme.

Overall the 2006 operating result was a net credit of £13m, compared with net charges of £48m in 2005 (2004: net charges of £80m). Excluding restructuring and impairment costs and profit on disposals, the net credit of £3m is compared to a net charge of £53m in 2005.

Investment

Capital expenditure in 2006 was £10m (2005: £9m; 2004: £2m). The majority of the expenditure was incurred on upgrading equipment at the Group's technology centres, and on the replacement of the central office of the Group's research and development centre at IJmuiden.

Central and other activities include the Group's registered office and head office, which is located at 30 Millbank, London SW1P 4WY, England, where it leases office space with a gross internal area of some 29,000 square feet. These facilities are generally adequate for its purposes and no significant changes were made during the period.

People

Most regrettably, there were two fatal accidents to Corus employees during 2006. One fatality, at Duffel in Belgium, arose from crush injuries, whilst burns caused the second after a blast furnace operative fell at Port Talbot in the UK. The incidents were thoroughly investigated and recommendations were issued to all sites. A transport contractor fatality also occurred during January 2007, for which the investigation is continuing.

The number of serious incidents as measured by lost time injury frequency rates continued to fall in 2006, and reduced by 13% compared with 2005. This continued the improvement in performance that has been achieved since 2002.

The Executive committee continued to focus on the Group's health and safety performance as a key priority and led the improvement programme throughout the year. During 2006, members of the Executive committee carried out approximately 150 safety tours, issued new standards on managing the risk of exposures for personnel and members of the public to asbestos and airborne legionella bacteria emanating from water systems, and revised the standards on safe driving.

Following the case that was heard at Swansea Crown Court during December 2006, Corus was ordered to pay £3m in respect of a fine and associated costs, for breaching health and safety legislation during the explosion at the blast furnace at Port Talbot in 2001. All amounts due were paid in January 2007.

At the end of December 2005 the number of employees in the Group was 47,300. This reduced to 41,200 at the end of December 2006, with the analysis by division being:

- Strip Products 21,300;
- Long Products 11,600;
- Distribution & Building Systems 5,700; and
- Aluminium 1,000.

There are 1,600 employees within the Group, who are not attached directly to one of the divisions. The net reduction compared with 2005 of 6,100 reflected the disposal of the aluminium downstream assets, the sale of the Group's electrical laminations business, the closure of the rail mill in Workington and the cessation of cold rolling at Brinsworth. In the review period, UK manning levels declined from 24,000 to 23,700 and in Germany from 4,900 to 1,800, whereas manning levels in the Netherlands modestly rose from 11,400 to 11,500. The other principal countries in which Corus has employees are France (1,600) and the USA (600).

The average number of employees in the Group for the period was 44,500 including 23,800 in the UK, 11,400 in the Netherlands and 3,500 in Germany. This compared with 48,200 overall in 2005.

Corus has experienced no significant industrial relations problems since its formation in 1999. Well developed procedures have operated in all parts of the Group for a considerable time for the purpose of consulting and negotiating with the trade unions, the European Works Council and employee representatives, and these have been further developed and used extensively in discussions on the substantial changes that have been required in working practices and the number of employees as a result of the restructuring programmes and major closures. Approximately 78% of Corus' UK employees are members of trade unions, with trade union membership in the Netherlands estimated to be around 45% and in Germany estimated to be in excess of 50%.

The British Steel Pension Scheme (BSPS) is the principal defined benefit pension scheme of the Group in the UK. As part of a package of revisions to the contribution and benefit framework of the BSPS agreed with trade unions, the rate of members' contributions increased from 5% to 6% of pensionable earnings with effect from 1 April 2006. Prior to that, since 1 April 2003, the Company had temporarily ceased contributions to the Main Section of the scheme, as it was supported by a past service actuarial surplus, but had contributed at the rate of 12.3% of pensionable earnings to the Acquisition Section. Following the triennial valuation as at 31 March 2005, the Actuary certified that the Company contributions to meet the cost of future service benefits should be 10% in the Main Section and 12.3% in the Acquisition Section with effect from 1 April 2006, subject to review at future actuarial valuations. The next formal valuation of the scheme is scheduled to be undertaken as at 31 March 2008. Further details about the scheme and information about other UK pension programmes operated within the Group are provided in Note 38 to the Accounts. During the acquisition process outlined on page 10, Tata Steel held discussions with the Trustees of the BSPS and the Corus Engineering Steels Pensions Scheme (CESPS), which was previously closed to accruals for future service as from 1 April 2003. As a result Tata Steel has offered to make a contribution of £126m towards reducing the deficit on the CESPS and to increase the employer contribution rate on the BSPS from 10% to 12% until 31 March 2009.

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 2006, which can vary according to the funding ratio of the scheme, stood at 10.7% from the Company and 6.3% from members relative to gross pensionable earnings. Further information about the SPH scheme is provided in Note 38 to the Accounts.

Including those changes referred to above Corus contributed a total of £130m to employee pension schemes during the year, a significant increase from the £75m paid in 2005. In addition, business disposals during the period reduced pension obligations for the Group by £117m, of which £99m had been unfunded liabilities (particularly in Germany, where such practice is normal).

As previously indicated, The Corus Way will only be achieved through full involvement, motivation and engagement of people, and in support of this Corus has continued to invest in the training and development of all its employees. Most training was delivered locally in divisions and business units, supporting their strategies. For example, training initiatives included support for business restructuring, for the Group-wide programme of continuous improvement, and for the development of apprentices. The programme of continuous improvement was supported by awareness workshops for all management teams and by an extensive training programme for continuous improvement coaches.

As well as initiatives with existing employees, the improvement in the Group's performance in recent years and recruitment initiatives under the Restoring Success programme helped Corus to continue its year-on-year rise through the rankings of the 'Times Top 100' graduate employers, as issued in September 2006.

Environment and the community

Corus believes that respect for the environment is critical to the success of its business. The Group is committed to minimising the environmental impact of its operations and its products through the adoption of sustainable practices and continuous improvement in environmental performance.

To implement its environmental policy, Corus' businesses have systems in place that focus on managing and minimising the effects of their operations. To date, over 98% of manufacturing operations have been certified to the independently verified international environmental management standard, ISO 14001. The Group has set a target to achieve 100% certification.

Climate change is one of the most important issues facing the world today. Corus recognises that the steel and aluminium industries are significant contributors to man-made greenhouse gas emissions as the manufacture of steel produces carbon dioxide (CO₂), and the manufacture of primary aluminium generates both CO₂ and perfluorocarbons (PFCs).

Corus has made a voluntary agreement with the Dutch government to benchmark its energy efficiency against world-best standards. In the UK, Corus has negotiated an agreement with the government to reduce total energy consumption by 14.7% in 2010 compared with 1997 levels. Furthermore, in conjunction with the European primary aluminium industry, Corus voluntarily agreed to reduce PFC emissions by at least 50% compared to 1990, by the end of 2005. This target was achieved, with emissions reduced by approximately 90%.

In addition to these improvements, Corus is also working with other steelmakers in Europe on a major research and development project (ULCOS – Ultra Low CO₂ Steelmaking) to identify and prioritise low CO₂ emission iron and steelmaking processes that could initially be used in semi-commercial scale

pilot tests, with the ambitious objective of reducing carbon emissions by 50% by 2050.

The EU Emissions Trading Scheme (EU ETS) was adopted on 22 July 2003 and came into force on 1 January 2005. The scheme currently focuses on CO₂ emissions and applies to various production processes, including those used in the production of steel. Each EU member state has its own nationally negotiated emission rights allowance, which is then allocated to individual CO₂ emitting sites. Sites have permission to emit CO₂ up to the value of their rights allocation. Any surplus can be sold and any deficit can be purchased on the emission rights market. The emission rights trading price at the end of December 2006 was €7 per tonne. Phase 1 of the EU ETS covers 2005 to 2007, with usage of rights being externally verified and reconciled annually. Failure to possess adequate rights to match emissions is penalised at €40 per tonne of CO₂ in Phase 1, plus the cost of purchasing these rights.

Corus expects to meet its environmental obligations in Phase 1 of the EU ETS, which affects 13 Corus sites, principally in the UK and the Netherlands. CO₂ allocations to Corus under the UK National Allocation Plan (NAP) broadly reflect its requirements for Phase 1, although there was a surplus of rights granted for 2006, arising principally because of reduced production during the year, mainly at those sites commissioning new plant under the UK Restructuring programme. Under the Dutch NAP for Phase 1, Corus also had excess rights in 2006 as a result of the relining of the no.7 blast furnace, but is forecast to be slightly short of rights for the full period of Phase 1. The deficit in emission rights in the Netherlands has been and will be met, in the first instance, from any surplus from Corus in the UK.

Provisional Phase 2 (2008 to 2012) allocations have now been determined for both the UK and the Netherlands; whilst these will provide Corus with a significant challenge, overall they should be broadly sufficient to meet requirements. Final allocations will not be published until later in 2007.

Increasing attention is being focused on developing products that have a better environmental profile or that have inherent environmental advantages. To help automotive manufacturers reduce the weight of their vehicles in order to make them more fuel efficient, Corus is investing to further expand and enhance the Group's product range and capabilities, including the development of advanced high strength steels for use in lightweight automotive applications.

Corus and its predecessor companies historically undertook operations in a large number of locations and, over time, these may have been closed or operational areas reduced. The Group has a strong history of making such sites available for redevelopment through third party sales or joint ventures with redevelopment agents. For example, in 2006 the Group formed a joint venture with Wilson Bowden and the Scottish Enterprise Lanarkshire agency with the aim of transforming its

decommissioned Ravenscraig site, one of the largest brownfield areas in Europe, for new housing and associated facilities. Where local communities are affected at these sites Corus endeavours to openly communicate its plans and actions. In particular the Group is always conscious of its obligation to initiate environmental investigation and remediation projects if required, making appropriate provisions as it considers necessary after consultation with all parties affected.

Corus also aims to contribute positively to the communities around or near to its operations in other ways. As well as providing employment for many thousands of people, Corus actively participates in community initiatives and encourages biodiversity and nature conservation.

Corus is also active in stimulating regional employment. For example, UK Steel Enterprise, a Corus subsidiary that was established in 1975, has invested over £50m in new and expanding steel-related businesses and over £20m in managed workspaces, supporting over 4,000 small businesses and helping to create 65,000 new jobs.

Corus has also continued to finance local community projects, contributing towards a number of initiatives ranging from the world renowned Corus chess tournament in Wik-aan-Zee near IJmuiden which features a number of amateur and youth competitions as well as three grand master events; the education and learning zone at the Swansea Waterfront Museum in South Wales; to donations for the benefit of local schools, hospitals and charities in Rotherham, South Yorkshire. During 2006 Corus also became the premier sponsor of British Triathlon, in an agreement that will initially last for a period of two years. It is hoped this investment will help the sport at both grass roots and elite levels, including contributions to the development of triathlon for athletes with a disability and encouraging children to participate in sport at a community and local level.

Corus believes that community investment means more than simply providing money to help others. In some cases Corus is best able to support good work with gifts in kind, by providing materials, specialist skills or the use of Corus facilities. Our employees also often volunteer to assist in local initiatives. For example, a team of graduates and placement students transformed an old public house in Rotherham into a new home for the 'Get Sorted Music Academy', a charity providing music and education for children; and Corus businesses in Wales, including those in Port Talbot, Llanwern in Newport and Trostre near Llanelli, helped in the fight against cystic fibrosis by sponsoring and participating in the Great Welsh Run.

Corus will publish a new Corporate Social Responsibility Report in May 2007 detailing the progress made in 2006 in terms of health, safety and environmental performance, and covering social and ethical issues. This will be available on the Group's website www.corusgroup.com

Technology

Major projects during 2006

Continuous improvement of processes and products as well as ongoing development of high added value products targeted at profitable markets have been essential in meeting the objectives of Restoring Success and will remain so with the longer term development of The Corus Way. This is reflected in the emphasis that is being placed on research and development, and the increased investment in this area.

Following the decision taken in 2004 to retain both the Swinden and Teesside Technology Centres in the UK, major investments were approved in 2005 aimed at upgrading the pilot plant facilities for steelmaking at Teesside. The commissioning of the upgraded electric furnace, the tank degasser/ladle arc furnace and the modified caster was largely completed in 2006. The upgraded equipment will play an important role in the development of advanced steel grades for various Corus businesses. These include high strength, high ductility steels for which there is rapidly increasing demand from the automotive industry and for which Corus and the German steel company, Salzgitter Stahl GmbH signed an agreement for joint development in 2005.

In 2006, the technical collaboration contract between Corus and Sumitomo Metals Industries was again extended. The contract is especially aimed at developments for the automotive and engineering sectors and, since its inception in 2002, has already delivered benefits to both companies and their customers.

On the IJmuiden site a new central office for research and development is being erected and will be completed in spring 2007. This will enhance the presentation of Corus Technology to business relations and other visitors, and emphasises the importance attached to technology by the Group.

Corus is a major partner in the ULCOS project, as noted above. Since the start of the project in 2004, Corus has been actively involved through its research and development and project management capabilities. During 2006, following a review of initial options, a programme has been devised that will focus on four technologies, as follows:

- A new blast furnace process using pure oxygen and top gas recycling;
- ISARNA – a new smelting reduction process with very high efficiency;
- A new direct reduction process using gas or hydrogen;
- Electrolysis of iron ore for direct production of steel.

Applying world class processes throughout the Group is one of the key objectives of The Corus Way. This underlines the importance of ongoing process research in order to achieve the best possible results in terms of product quality, output and process consistency at the lowest possible cost.

Special attention for the environmental impact of steelmaking processes continues to result in process improvements that reduce emissions of potentially harmful substances. For example, the development of a special dual fuel burner to allow the grinding section of the IJmuiden pelletising plant to be fired with basic oxygen furnace (BOF) gas as an alternative to natural gas resulted in a 58% lower emissions of NOx gas on BOF gas firing. Similarly, addition of urea to the raw sinter feed into the Port Talbot sinter plant has resulted in a reduction of dioxin emissions by approximately 50%.

In IJmuiden, the installation of a straight mould on no.21 continuous caster is a major technological improvement. This modification virtually eliminates the occurrence of gas bubbles in the steel and is therefore crucial for through process quality improvement, notably of high grade steels for automotive applications.

A major focus area for process improvement is the development of automatic or automated measuring and inspection systems. These lead to better process consistency, enhanced product quality because of reduced variations in product properties, and a reduction of reject levels which may entail substantial cost benefits.

For example, ongoing developments in digital imaging and data processing technology considerably enhance the possibilities of camera inspection systems. At Thybergh Combination Mill, the use of a high speed camera and associated software enabled timing problems of the shearing operation to be identified and solved, resulting in more continuous production for longer periods without interruptions due to equipment malfunction. Use of the built-in flash enhances the contrast level and allows quick detection of surface defects, so enabling operators to inspect or adjust the process almost immediately after the defect has occurred. At Corus Tubes, a camera system was installed to support operators in detecting tiny and shallow defects caused during the process of scarfing the welds to smooth the surface.

Developments for specific markets

Many development projects are aimed at tailoring product properties to the needs of specific markets and to support customers in those markets. The following paragraphs describe a number of examples of such developments for major markets of Corus.

Construction

Following a programme of technical improvements at its Scunthorpe and Teesside plants, Corus introduced a new brand name, 'Advance', for its range of structural sections in September 2006. The key driver for introducing Advance was the requirement for structural sections in Europe to comply with the Construction Products Directive. Corus was the first steel company to be allowed to use the CE mark on its sections, as a proof of compliance, and all Advance sections carry the mark. At the same time flexibility offered to designers has been increased

by adding 21 new beams and columns sizes to the range, as well as introducing a simplified method of steel grade specification and a new section designation system.

Automotive and other transport

Automotive is a key market sector for Corus with a large potential for adding customer value, not only by supplying advanced steel grades, but also by collaborating with customers, aiming at early involvement in the design of new car models. During the past few years, this approach has been reflected in various ways in technological development. This includes both the development and continuous optimisation of products tailored to the needs of the automotive market and the development of aids to support customers in applying these products.

One example of a customer support tool developed by Corus, 'In-Form™', applies the latest computer-aided engineering (CAE) simulation techniques to help optimise the set-up of press shop processes. In-Form can help car makers improve manufacturability and the quality of complex stamped body panels, thereby significantly reducing press shop set-up lead times. In-Form uses a laser device to scan and capture the three-dimensional surface of the part or stamping tool needed to generate a physical geometry, which is then used in forming simulation software for optimisation or evaluation. This considerably reduces the need for time consuming and costly iterations in fine tuning of blanks and tooling by making trial parts.

An example of how Corus collaborates with key customers, using these and other customer support tools it has developed over the past few years, is found in the development of Ford's new Galaxy model range. Corus has been working closely with Ford to help the car maker implement the latest high strength steel grades. In the collaborative work Corus has used its material expertise and simulation capabilities to help Ford identify areas where material selection can be optimised for a number of key parts for the rear structure of the new Galaxy. In particular, improved application of high strength steels has provided opportunities to reduce development time and costs as well as improve vehicle crash performance. For example, Corus has shown that it was possible to use just one part for the rear-floor panel instead of the originally planned two, allowing Ford to save on tooling and manufacturing costs. Corus has also employed its unique materials simulation technique named 'Forming to Crash' to help Ford engineers to evaluate the crash performance of key parts such as the rear longitudinals made from its dual phase material. In this way, Ford was able to optimise the design of these parts during the Galaxy's development process.

Packaging

Thinner packaging materials lead to reduced weight and thereby less waste and a lower burden on the environment. Though development potential is gradually decreasing as physical limits of the production processes are being approached, research into possibilities for downgauging is still ongoing. As a result of these

efforts, Corus introduced a uniquely thinner material of 0.18 mm for easy-open, end food cans, at the end of 2005. This development resulted in a 10% material saving.

Engineering

Chain partnerships are one way for Corus to focus development and ensure long term supply relationships. One such partnership between Corus and Wigpool Ltd. for the development of high quality machined components is helping leading motorcycle manufacturer Triumph to stay ahead of its competitors. Corus has worked with Wigpool, one of the UK's leading contract machinists, to help it select the most appropriate high specification steel grades for its manufacturing process, thereby improving the performance of key components whilst reducing costs. For this purpose, Corus is supplying Wigpool with one of its Hitenspeed easily machinable, high tensile steel grades.

Intellectual property and expenditure

Corus is the proprietor of a number of patents and national and international trademarks, and is party to a number of inward and outward technology licences, none of which individually has a material influence on the Corus business or profitability. The numbers of patents owned by Corus at the end of 2006, and the number of new patent applications filed in the year, is given in the table below:

	2006	2005	2004
Valid patents owned by end of year	497	576	577
New patent applications filed during year	23	41	48

The reduction in 2006 reflects the transfer of a number of patents regarding aluminium alloys and aluminium processing to Aleris International Inc. as part of the sale of the aluminium downstream business assets.

Research and development expenditure in the last three financial periods is set out below:

£ million	2006	2005	2004
Gross expenditure	79	75	71
Less: Recoveries (a)	(9)	(9)	(6)
Net expenditure	70	66	65

(a) Recoveries comprise fees received from other steel and engineering companies, as well as from Aleris International Inc. following the sale of the aluminium downstream business assets, and funding assistance from the EU.

Business risk management

The Group's management operate a risk management process that complies with the corporate governance requirements set out in the 'Internal Control Guidance for Directors on the Combined Code' as issued by the ICAEW. A full assessment of business risk is undertaken annually to produce a Group-wide risk profile that identifies the Group's significant risks, the probability of those risks occurring and their potential impact should they do so. The Group's management has the prime responsibility for the design, operation and adequacy of prevention, monitoring and modification practices adopted to manage the risks identified. The annual review is conducted at the end of the third quarter in each year and is reported to the Executive committee, Audit committee and Board. The Executive committee, business unit managing directors and functional heads undertake the assessment of the principal risk areas and related risk management practices for the Group. Executive committee members are responsible for assessing strategic risk and business unit 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 and the Board dealing with any significant changes in risk and controls in the period. Regular detailed reports are also made to the Executive committee on a quarterly basis concerning risk, and associated control and monitoring procedures. The results of these reports are reported to the Audit committee and the Board.

In addition to its historic listing on the London Stock Exchange, Corus Group plc was also listed on the New York Stock Exchange and, as a result of this, was required to comply with the requirements of the US Sarbanes-Oxley Act. The Group had undertaken work to ensure that it was in a position to comply with each of the requirements as and when they became applicable. With effect from the 2006 year end, Section 404 of this Act would have required Corus to perform an annual assessment of its internal controls over financial reporting and to report publicly on the conclusions from this assessment. The external auditors would also have been required to attest to, and report on, management's internal control assessment. During 2006 Corus dedicated substantial internal and external resource to preparing itself for compliance. However, given that, as described on page 10, Corus' shares were suspended from trading on the New York Stock Exchange on 29 March 2007, there is no requirement for Corus to formally report publicly on this matter, nor for the auditors to make their attestation.

Corus has a well established and well resourced internal audit function that reports to the Executive Director, Finance on a day-to-day basis, but which also has a direct link with and access to the chairman of the Audit committee. The Audit committee receives reports from the internal audit function four times a year and also considers the terms of reference, plans and effectiveness of the function. The internal audit function works

closely with the external auditors. It provides independent and objective assurance to the Board, the Audit committee and the Executive committee on the systems of internal control employed in Corus, and provides a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance procedures.

Corus aims to minimise its expenditure on insurance and to reduce its exposure to catastrophe losses to a level consistent with its ability to carry such losses. To this end Corus maintains insurance cover, which it feels is appropriate for its business, through a combination of self-funding and policies purchased from external insurers. Corus arranges some of its insurance through Crucible Insurance Company Limited (Crucible) and Hoogovens Verzekeringsmaatschappij NV (HVM), two wholly owned subsidiaries. Crucible and HVM reinsure catastrophe risks with the external insurance market. Corus' external insurance policies cover its statutory insurance requirements and certain contractual obligations, as well as catastrophe risks, ranging from single large losses to an aggregation of frequent low-value claims. External insurance is also used to insure non-catastrophe risks where it is cost-effective, and when claims handling and other specialist services are required.

Insurance policies are arranged on a Group basis for the following key classes of insurance:

- Material damage and consequential loss.
- Public and products liability.
- Professional indemnity.
- Aviation products liability.
- Marine cargo.
- Directors' and officers' liability.

Other country specific cover is arranged as discrete policies at the regional level.

The net book value of investments held by Crucible and HVM at the end of December 2006 to cover their insurance liabilities was £51m (2005: £84m).

Acquisitions and disposals

On 12 May 2006, Cogent Power Limited announced that it had signed a sale and purchase agreement with Bavaria Industriekapital AG for the sale of Cogent's laminations business, which produces electrical steel laminations in Germany, Hungary and the UK.

On 1 August 2006, Corus completed the sale of its downstream Aluminium rolled products and extrusions businesses to Aleris International Inc. for a gross consideration of €826m (approximately £564m). The net proceeds after deducting pension liabilities, net debt and minority interests were £477m. The final consideration payable remains subject to adjustment based upon the finalisation of the net working capital delivered and net debt transferred to be agreed as part of the completion accounts drawn up by Corus.

On 31 August 2006 Corus completed the sale to Companhia Siderúrgica Nacional of its 50% share in Lusosider Projectos Siderúrgicos S.A., a Portuguese company producing pickled hot rolled, cold rolled, hot-dip galvanised and tinplate steel, for a consideration of €25m (approximately £17m).

On 31 August 2006, Corus completed the purchase of the 25% holding of SSAB Tunnplåt AB in Cogent Power Limited for a consideration of £20m (£10m for SSAB's minority interest and £10m for the repurchase of preference shares and debt). Cogent was already a 75% owned subsidiary of Corus and became a wholly owned subsidiary on completion.

The principal acquisitions and disposals of businesses during the two financial years prior to 2006 are noted below, none of which were material to Corus.

- On 9 January 2004 Corus completed the sale of Corus Metal Profiles. This was linked, with the subsequent disposal, on 12 March 2004 of Corus Coil Products and Corus Metals, which with Corus Metal Profiles generated total sale proceeds amounting to CAD\$67m (approximately £30m).
- On 30 April 2004 Corus completed the sale of its sheet piling operations to Arcelor for proceeds amounting to £26m.
- On 17 July 2004 Corus completed the sale of Corus Tuscaloosa in the USA to Nucor Corporation for a gross consideration of US\$90m (approximately £49m).
- On 16 December 2004 Corus completed the purchase of a 50% shareholding in Segal SA from Metallinvest for a consideration of €25m (approximately £17m). Segal, a Belgian hot dipped galvanising line, is now wholly owned by Corus.
- On 21 January 2005 Corus disposed of the assets of its direct reduced iron facility at Mobile in the USA, which had been mothballed since November 2000, to Al Tuwairqi Group for a gross consideration of US\$5m (approximately £3m).
- On 27 May 2005 Corus completed the disposal of substantially all the assets of Rafferty-Brown Steel, a flat rolled carbon steel processing business in the USA, to Coilplus Holdings Inc. for a gross consideration of US\$24m (approximately £13m).
- On 31 December 2005 Corus completed the sale of Mannstaedt Werke to Georgsmarienhütte Holding. The gross consideration was €17m (approximately £11m). Mannstaedt is a German special profile manufacturer.
- On 31 December 2005 Corus completed the sale of Corus Perfo's activities to Dillinger Fabrik Gelochter Blehe GmbH, for a gross consideration of €1m (approximately £1m). Perfo is a Dutch operation specialising in perforated metal products.

Accounting policies

Basis of preparation

Details of the main accounting policies used by the Group appear on pages 80 to 88. As explained on page 80, the financial statements to 30 December 2006 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

For the current period, Corus has adopted accounting policies consistent with those set out in the Report & Accounts 2005, except that amendments to IAS 39 'Financial guarantee contracts' and IFRIC 4 'Determining Whether an Arrangement contains a Lease' have been implemented in 2006. The amendment to IAS 39 has no material effect on either the current or prior periods. However, IFRIC 4, which has been adopted from 1 January 2006, resulted in the recognition of additional finance lease obligations of £145m and additional property, plant and equipment of £142m, thereby reducing opening net equity by £3m. These leases represent specific assets used to service certain long term supply arrangements.

At the date of authorisation of these financial statements there were a number of international standards and interpretations that, although issued, were not yet effective or applied by Corus. These were IFRS 7 'Financial Instruments: Disclosures' and the related amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures, IFRS 8 'Operating Segments', IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives', IFRIC 10 'Interim Financial Reporting and Impairment', IFRIC 11 'IFRS 2: Group and Treasury Share Transactions' and IFRIC 12 'Service Concession Arrangements'. Those changes arising from the adoption of these standards and interpretations in future periods are not expected to have a material impact on the financial statements of the Group.

Details of the main accounting policies used by the parent company appear on pages 160 to 162. The financial statements to 30 December 2006 of the parent company have been prepared in accordance with UK GAAP.

Critical accounting policies

The preparation of financial statements includes the need to make assumptions and estimations that affect the amounts of assets, liabilities, revenues and expenses being reported. Actual results may differ from those estimated under different assumptions and conditions. For the period under review, the most significant areas of judgement for Corus under IFRS related to property, plant and equipment, goodwill, current asset provisions, deferred tax, retirement benefits, provisions created for redundancy, rationalisation and other related costs (as discussed in the 'Summary' on page 13), emission rights and financial derivatives. Each of these areas of judgement, which are discussed below, relies upon a number of estimates and is subject to uncertainties. These can vary between different countries in which the Group operates and there is a large degree of interdependency between them. As a result, no indication is generally given below of the impact of a change in any one particular assumption. However, all of these factors are considered at least annually and, where reassessment or changing circumstances lead to material change, this is discussed in the relevant review of the period and disclosed fully in the Notes to the consolidated accounts.

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

Goodwill is also assessed for impairment on an annual basis, again using discounted forecast cash flows in a similar method to that used for property, plant and equipment.

During the normal course of trading, judgement must be used to establish the net realisable value of various elements of working capital. In particular, provisions are created for obsolete or slow moving stock and for impairments against the recoverability of trade receivables. These provisions are created at levels appropriate to the individual circumstances of each business within the Group.

Two significant judgements must be made in relation to deferred tax balances. Firstly, an estimate must be made of the effective rate at which liabilities are expected to reverse. This rate is based on historic experience and forecasts of the timing of such reversals, in comparison with the effective corporation tax rates that have been substantially enacted in each jurisdiction at the end of the year. Secondly, a judgement must be made as to the level of assets to be recognised for brought forward taxable losses. This involves an assessment of the extent to which tax losses are regarded as recoverable against future forecast taxable profits that the directors consider to be more likely than not to occur. As a result, deferred tax assets amounting to £178m have been recognised in the balance sheet at 30 December 2006. However, total losses with a value of £1,424m, of which £1,091m are UK losses, have not been reflected as part of these deferred tax assets.

Results of the Group include costs relating to the provision of post-retirement benefits for employees. The cost of these benefits and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the salary progression of current employees, the returns that the pension fund assets will generate in the time before they are used to fund the pension payments, and the rate at which the future pension payments are discounted. Corus uses estimates based on previous experience and third party actuarial advice in determining these future cash flows and the discount rate. Details of the assumptions used for each of the Group's defined benefit schemes are given in Note 38, although it should be noted that the actuarial results are particularly sensitive to small changes in some of these assumptions. For example, in relation to the Group's main scheme, BPS,

an absolute movement of 0.1% in the inflation or discount rate assumption will change the estimate of scheme liabilities by approximately £125m and an absolute movement of 0.1% in the overall asset return assumption will change the net pension cost by approximately £9m per annum.

In addition, IFRS allows a number of choices for certain aspects of pension scheme accounting and Corus adopts those that it considers appropriately reflect the balance sheet risk of the schemes and the Group's approach to management of that risk. In particular, all actuarial gains and losses are recognised immediately within reserves, and the operating result includes a net charge for the service and interest costs as well as investment returns on scheme assets.

Any requirements for provisions related to redundancy, rationalisation and other related costs are assessed on a regular basis. The most difficult judgement in this regard is frequently whether or not the appropriate criteria have been met to determine if a provision should actually be made (for example, the approval and announcement of formal plans) and not the calculation of the amount to be provided. Nevertheless, when amounts are recognised as a provision these are the best estimates of expenditure required to settle relevant obligations at the balance sheet date. These estimates are based on factors such as previous experience and third party advice, but the timing and value of these liabilities are not certain.

As noted above, Corus now participates in the EU Emissions Trading Scheme, under which it receives an allocation of allowances for the emission of CO₂. Any surplus of rights can be sold, and any deficit purchased, on the emission rights market. The accounting for these rights has been the subject of historic debate amongst the accounting standard setters and a definitive approach has not yet been agreed. In order to reflect the economic risk that it faces Corus chooses to recognise liabilities in respect of its obligations to deliver emission allowances only to the extent that the allowances to be delivered exceed those previously acquired by the Group, either by allocation from governments or a similar body or through purchase. Any possible surplus is only to be recognised once it is realised in the form of an external sale.

The balance sheet includes financial derivatives, mainly forward currency and commodity contracts, with a net fair value liability of £114m. Where it is felt appropriate, and where the strict criteria of IAS 39 can be met, these derivatives are subject to hedge accounting. In particular this means that the movements in fair values of those forward contracts being held against forecast transactions are recognised within equity until the related asset (for example, a trade receivable) or liability is recognised.

Financial review

Shareholders' equity

The profit for the period attributable to equity holders of the parent was £223m, representing a basic earnings per share of 24.92p. Total recognised income relating to the period was £397m, of which £393m was attributable to equity holders of the parent, and arose as follows:

- the profit after taxation of £229m;
- actuarial gains on pension obligations of £224m (driven by a combination of a recovery in bond yields used to discount scheme liabilities, the strong equity market performance and the reduction in future liabilities secured as part of the new framework and benefits agreement related to the British Steel Pension Scheme); and
- deferred tax credits on items taken directly to reserves of £29m; offset by
- exchange translation losses, net of transfers on reductions in net investments, of £34m;
- net movements on the fair value of contracts designated as cash flow hedges of £40m;
- transfer of investment revaluation gains to the income statement upon disposal of £6m; and
- revaluation of goodwill due to exchange of £1m.

There were also cash flow hedge reserve charges of £12m and related deferred tax credits of £8m arising on transfers to the income statement as part of the disposal accounting for the aluminium downstream assets.

An interim dividend of 2.75p per share was paid during the period (2005 restated: 2.5p; 2004: nil) but the Board has not recommended the payment of a final dividend, given the acquisition of the Group by Tata Steel.

Total equity increased by £556m to £3,934m (representing 416p per share) and mainly reflected the total recognised income for the period attributable to equity holders of the parent of £393m and the issue of new shares and share awards of £257m. The new shares were mainly issued during December 2006, when the majority of the holders of the €307m Convertible Bonds due 2007 exercised their conversion rights. These increases were offset by the dividend payments of £69m and the £3m effect of the adoption of IFRIC 4 as explained on page 39.

At Corus' Annual General Meeting (AGM) on 9 May 2006, shareholders approved the consolidation of Corus' existing share capital. One new ordinary share of 50p was issued for every 5 existing ordinary shares of 10p. The share consolidation was undertaken in the interests of both the Company and shareholders, as it was anticipated that it would reduce volatility in the share price. The new 50p ordinary shares began trading on Monday 15 May at an opening price of 5 times the closing price on the previous Friday 12 May (i.e. 87.5p multiplied by 5 equalling £4.375). Further details of the consolidation and its impact are provided in Note 29.

During the period the Company's share price fluctuated within the range of 295p, on an equivalent post-consolidation basis, to 537p, with a price at the end of the period of 530.5p. This increase towards the end of the year largely reflected the impact of the Tata acquisition, as explained on page 10, whereby competing offers for the entire share capital of the Company had been expressed as at 30 December 2006. The year end price amounted to a stock market capitalisation of approximately £5,016m.

Capital structure and treasury policy

Average net debt during the period was £1,091m but net debt at 30 December 2006 amounted to £564m (2005: £821m). The movement in net debt from 2005 includes a £145m increase due to the first time adoption of IFRIC 4 from January 2006, offset by the receipt of proceeds from the sale of the aluminium downstream assets of £477m and the elimination of the majority of the debt liability of the €307m Convertible Bonds due 2007, as holders exercised their conversion rights. Cash and short term deposits at 30 December 2006 amounted to £823m (2005: £871m).

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

During 2005, Corus signed a €800m revolving credit facility with a consortium of relationship banks. Following the completion of the sale of Corus' aluminium downstream assets, the facility was reduced by €100m to €700m and certain of the related covenants were also reduced in accordance with the terms of the agreement. Throughout the period Corus had access to, but did not draw down upon, the facility. This facility had a final maturity date of 31 December 2008 and provided committed bank financing for general corporate purposes and working capital requirements.

The principal terms of the syndicated facility were as follows:

- The facility had two tranches: a €600m facility available to various Corus companies including Corus Nederland BV, and a further €100m for Corus Nederland BV only. As described above the first tranche, which was originally €700m, decreased by an amount of €100m to €600m on 1 August 2006.
- Fixed security over shares in Corus Nederland BV and its UK holding companies, and a floating charge over the assets of Corus Group plc (but excluding its shares in Corus UK Limited).
- Covenants to be complied with for the period ended 30 December 2006 (as measured under the pre-existing UK GAAP).
 - Group EBITDA/net interest cover and Corus Nederland Group EBITDA/Corus Nederland Group net interest cover should not have been less than 3.5 times.
 - Group consolidated net tangible worth (after adding back impairment/restructuring costs) should not have been less than £2,500m. Corus Nederland Group consolidated net

- tangible worth should not have been less than €2,000m.
- Dividends of up to 50% of consolidated net income (prior to exceptional items) were permitted, subject to Group EBITDA/net interest cover of at least 4.5 times.
- Group gearing (net debt/net tangible worth, after allowing for impairment/restructuring costs) should not have exceeded 60%. Corus Nederland Group gearing should not have exceeded 35%.

On 27 April 2007 a voluntary notice was given by the Company to the relationship banks to cancel this facility. In addition, on 30 April 2007 a £3,670m senior secured facilities agreement was signed by Corus' new parent company, Tata Steel UK Limited, in order to support the financing of the acquisition and future working capital requirements for the enlarged group. These new facilities, which contain both term debt and revolving credit elements have final maturities between five and seven years, with the term debt subject to a scheduled amortisation programme. The facilities are also subject to financial covenants including; cash flow to net debt service; maximum net debt to EBITDA; free cash flow to net finance charges; and maximum capital expenditure levels.

At 30 December 2006, the Group had £1,708m in committed borrowing facilities, of which £472m was unutilised. The level of unutilised facilities, together with other resources available to the Group, is such that Corus believes it has sufficient funding to satisfy its working capital requirements in the near to medium term.

Total borrowings at 30 December 2006 were £1,395m (2005: £1,692m). These included liabilities for the following:

- NLG335m 4.625% Subordinated Convertible Bonds due 2007.
- £200m in 6.75% sterling Bonds due 2008.
- NLG300m 5.625% Bonds due 2008.
- £275m of non-returnable proceeds from the Group's securitisation programme, which has a final maturity of 2009.
- €800m in 7.5% Senior Notes due 2011.

On 3 March 2006, Corus completed the early repayment of its £150m 11.5% debenture stock due 2016 (secured), which was undertaken to improve the efficiency of the balance sheet. The total cost of the early repayment was £237m and the premium paid of £87m has been expensed as a non-recurring finance cost in the income statement during 2006.

In December 2006 holders of €305m of Corus' €307m Convertible Bonds due 2007 exercised their conversion rights resulting in the issue of 46,632,497 of new shares. The residual amount was converted at the request of the bond trustee on 4 January 2007, resulting in the issue of a further 237,709 of new shares and completing the conversion of the full debt liability ahead of the scheduled maturity date of 11 January 2007.

Other borrowings at 30 December 2006 included £6m principally in euros and sterling, bank overdrafts of £25m and finance lease obligations totalling £159m. These finance lease obligations included the capitalisation of long term supply agreements under IFRIC 4 as discussed on page 39. Of the total borrowings, £301m of bank borrowings carries interest on variable rate terms, which ranged at period end between 3.2% and 8.3%, with a weighted average of 4.8%.

The maturity profile of the Group's outstanding debt and other contractual arrangements are shown on page 43.

Corus' credit ratings, which are a key determinant of the terms on which the Group can issue debt, improved during the year and at 30 December 2006 the corporate long term ratings were as follows:

- Moody's: Ba2
- Standard & Poor's: BB

However both of these ratings were placed under review by both agencies following the announcements of the progress for the Tata Steel acquisition.

Foreign exchange risk management

The Group's policy is to protect the value in translation of assets denominated in foreign currency and, therefore, to economically 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 30 December 2006 the Group had £535m in euro denominated borrowings held in the UK, and euro denominated net assets of £896m. There were no cross currency swaps held at the period end.

It is the Group's policy that substantially all of the net currency transaction exposure arising from contracted sales and purchases is covered by selling or purchasing foreign currency forward. At 30 December 2006 the Group held forward currency sales of principally euros and US dollars amounting to £557m, with a net fair value liability of £11m, and forward currency purchases of principally US dollars amounting to £1,222m, with a net fair value liability of £11m. These amounts represented substantially 100% of the contracted transaction exposure in these currencies at 30 December 2006. Foreign exchange contracts do not generally extend beyond 12 months.

Commodity risk management

The Group makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. Within the Aluminium division forward sales of metal are made to reduce the potential volatility of operating results within the smelting operations. In addition, very limited metal hedging procedures have been maintained on behalf of the aluminium downstream assets sold during the year, under transitional service agreements. Across the Group forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices.

At 30 December 2006 the Group had commodity purchases with a total notional value of £350m and an equivalent fair value of £16m, and commodity sales with a notional value of £597m and an equivalent fair value liability of £97m.

Interest rate risk management

The Group's financial structure is conservative and it is Group policy for 50% to 70% of net debt to be at fixed rates, principally achieved by fixed rate borrowings. As at 30 December 2006 78% of all debt had fixed interest rates, which continued to be above the stated policy range because the Group's principal revolving credit facility remained undrawn. Where appropriate, use is made of swaps and forward rate agreements but none of these instruments are used for the purposes of speculation.

Further details of the use of financial instruments are included in Notes 24 and 25 to the Accounts. In the normal course of business, the Group also faces risks that are non-financial or non-quantifiable. Such risks principally include country risk and legal risk.

Credit/counter party risk

Cash deposits, trade receivables and other financial instruments give rise to credit risk for Corus arising from the amounts and obligations due from counter-parties.

The credit risk on short term deposits is managed by limiting the aggregate amount and duration of exposure to any one counter party, depending on its credit rating and other credit information, and by regular reviews of these ratings. The possibility of material loss arising in the event of non-performance is considered unlikely.

Individual operating units are responsible for controlling the credit risk arising from the Group's normal commercial operations,

although they must act within a series of centrally agreed guidelines. Trade receivables are, where appropriate, subject to a credit insurance programme, and regular reviews are undertaken of exposures to key customers and those where known risks have arisen or still persist. Any impairment to the recoverability of debtors is reflected in the income statement on a regular basis.

Credit risk also arises from the possible failure of counter-parties to meet their obligations under currency and commodity hedging 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 as a matter of 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. Corus believes that the risk of incurring such losses is remote. Underlying principal amounts are not at risk.

Sensitivity analysis

At 30 December 2006 the Group had net outstanding forward currency contracts of £666m in respect of actual and forecast transaction exposures, giving rise to a net fair value liability of £22m. A 10% appreciation of sterling would decrease the fair value of these contracts by £25m. Whilst this decrease would immediately affect net assets, the timing of recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

At 30 December 2006 the Group had net outstanding sales forward commodity contracts of £247m in respect of actual and forecast transaction exposures, giving rise to a net fair value liability of £81m. A 10% appreciation of market prices would reduce the fair value liability by £68m. As with currency contracts, whilst this decrease would immediately affect net assets, the timing of recognition in the income statement would depend on the point at which the underlying hedged transactions were also recognised.

At 30 December 2006 the Group had net funds of £5m exposed to floating interest rates. A 1% movement in average interest rates would have an impact of less than £1m on annual future earnings before tax.

Aggregate contractual arrangements

The table below sets out the Group's contractual obligations due by period.

£m	Payments due by period				
	Total	<1 Year	1-3 Years	3-5 Years	>5 Years
Long term debt obligations	1,101	–	567	534	–
Finance lease obligations	159	24	36	26	73
Interest commitments	331	82	149	94	6
Operating lease obligations	462	75	102	76	209
Purchase obligations	350	331	13	6	–
Other long term liabilities	30	–	–	–	30
Total	2,433	512	867	736	318

The significant assumptions used in deriving the calculation of future interest commitments are:

- The calculation is based on debt obligations at the 2006 balance sheet date. Any change in the level of debt obligations in the future is not taken into account, except where existing debt becomes due for repayment, where it is assumed that this is not then replaced by new debt.
- All existing obligations are held to their respective maturities.
- Interest commitments denominated in foreign currencies are translated at the average rates for 2006 for those particular currencies.

The Group has a series of other financial commitments and contingent liabilities, which arise in the normal course of business. Details of commitments for capital expenditure are provided in Note 32 and details of commitments for other contingencies are discussed in Note 34. In addition, other contingent liabilities and obligations in respect of short and long term debt and financial instruments are set out in Notes 21 and 24. The Group also anticipates making a series of employer contributions to its defined benefit pension schemes during 2007, and these forecast payments are presented in Note 38.

Taxation

The net taxation charge for the period of £119m arose from current tax charges of £81m, prior year current tax net credits of £1m and deferred tax charges of £39m. These deferred tax amounts are stated after a credit of £17m relating to the reduction in future corporation tax rates that will apply to the Group's operations in the Netherlands. These overall changes reflected an effective tax rate of 29.6% on profit before taxation of £313m, but were stated after credits for tax losses not previously recognised with a value of £9m, adjustments for deferred tax for prior periods of £14m, tax losses not being recognised to the value of £30m, and other differences between taxable and accounting profits of £9m.

Funds from operating activities and other cash flows

Net debt decreased by £257m in the period giving a movement from net debt of £821m at 31 December 2005 to net debt of £564m at 30 December 2006. Net debt consisted of borrowings of £1,395m less cash balances, deposits with a maturity of less than three months and other short term deposits of £831m. The decrease in net debt compared with 2005 includes a £145m increase due to the first time adoption of IFRIC 4 from January 2006 (in addition to the increase of £268m arising from the adoption of IAS 32 and IAS 39 in 2005 when compared with 2004), offset by the receipt of proceeds from the sale of the aluminium downstream assets of £477m and the elimination of the debt liability for the majority of €307m Convertible Bonds due 2007, as holders exercised their conversion rights.

There was a net cash inflow from operating activities of £125m reflecting, in the main, operating profits from continuing and discontinued operations of £492m and non-cash charges of

£313m in respect of depreciation, amortisation and rationalisation costs, partially offset by interest and tax payments totalling £248m, an increase in working capital of £128m and the cash cost of restructuring and rationalisation measures of £60m.

There was a net cash inflow from investing activities of £99m mainly reflecting capital expenditure of £416m and purchase of intangible assets of £20m, after the sale of property, plant and equipment and other fixed asset investments of £108m, and the sale of Group undertakings of £399m, the purchase of short term investments of £8m, and interest and dividends received of £41m.

The cash outflow from financing activities of £244m mainly arising from the early redemption of the £150m debenture, the redemption of the outstanding guaranteed bonds due 2006 not previously redeemed in the offer made in 2004 and the repayment of preference shares held by SSAB Tunnplat AB as part of Corus' acquisition of the 25% minority shares in Cogent Power Limited. In addition there were dividend payments of £69m.

The net decrease in cash and cash equivalents in the period of £20m, coupled with the effect of foreign exchange rate changes of £7m, brought total cash and short term deposits to £823m at the period end and bank overdrafts to £25m.

Minority interests

At 30 December 2006, minority interests were £4m (2005: £26m). The reduction during the period arose from the disposal of Corus LP and Corus Aluminium Extrusions Tianjin as part of the sale of the Group's aluminium downstream assets, and the acquisition of the remaining share capital of Cogent Power, both of which are discussed on pages 38 to 39.

Directors' report

The directors present their report and the audited accounts for the financial period ended 30 December 2006.

Principal activities and review of the business

Corus is an international metals group that manufactures, processes and distributes steel and primary aluminium products and provides design, technology and consultancy services for those products.

A review of the Group's performance during the year, its prospects and future developments is given in the Review of the period and Financial review on pages 8 to 44.

The Group is now obliged to comply with the Enhanced Business Review disclosures required by the Companies Act 1985, as amended to comply with the EU Modernisation Directive. Corus has chosen to include much of this disclosure within its Review of the period and Financial review, specifically including the following:

- disclosure of key performance indicators on pages 11 and 12;
- disclosure of the Group's financial risk management policy, including the use of financial instruments, on pages 42 and 43; and
- certain disclosures regarding the Group's environmental and community impact on pages 34 and 35.

Disclosure of principal risks and uncertainties facing the business are discussed on pages 70 to 73.

Results and dividend

The profit before taxation for the year was £313m (2005: £548m).

An interim dividend of 2.75p (2005: equivalent of 2.5p per share after restatement for the 1 for 5 share consolidation) per ordinary share was paid on 6 October 2006 to ordinary shareholders and on 16 October 2006 to ADR holders.

Due to the acquisition of the Company by Tata Steel UK (see Post balance sheet events opposite), the directors are not recommending the payment of a final dividend. A final dividend equivalent to 5p per ordinary share (after restatement for the 1 for 5 share consolidation) per ordinary share was paid in 2005.

Share capital

Details of changes in share capital are set out in Note 29 to the Accounts on page 118. As at 12 May 2006, all of the authorised and issued ordinary share capital in issue was denominated in ordinary shares of 10p each. Consequent upon shareholders approving a share consolidation at the AGM held on 9 May 2006, every 5 existing ordinary shares (all being ordinary shares of 10p each) in issue as at 12 May 2006 were consolidated into 1 new consolidated ordinary share of 50p. Further details are set out in Note 29 to the Accounts on pages 118 to 124.

During the year the Company has not made any acquisitions of its own shares.

Goodwill, other intangible assets and property, plant and equipment

Details are set out in Notes 10 to 12 to the Accounts on pages 103 to 105.

Post balance sheet events

On 20 October 2006 the boards of Corus, Tata Steel and Tata Steel UK announced that they had reached agreement on the terms of a recommended acquisition of the entire issued and to be issued share capital of Corus, at a price of 455p in cash for each Corus share and the relevant scheme document was sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderúrgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475p per ordinary share. This proposal did not amount to a firm intention to make an offer and was subject to certain pre-conditions, including completion of satisfactory due diligence, finalisation of financing arrangements and a recommendation from the Corus Board.

Following this approach, as it did for Tata Steel UK, Corus provided information and made senior management available to enable CSN to meet those pre-conditions. Whilst this process was ongoing, and at the recommendation of the Corus Board, on 4 December 2006 shareholders voted to adjourn, until 20 December, the EGM and the court meeting that had been convened in relation to the Tata Steel scheme of arrangement.

On 11 December 2006, the boards of Corus, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515p for each Corus share. This followed an announcement during the previous day, on 10 December 2006, that the boards of Corus, Tata Steel and Tata Steel UK had reached agreement on the terms of a revised recommended acquisition at a price of 500p for each Corus share.

The Panel on Takeovers and Mergers (the Panel) announced on 19 December 2006 that the final date on which Tata Steel UK and CSN could revise their offers for the Company was 30 January 2007. Following this, on 20 December 2006, at the reconvened EGM and court meeting, upon the recommendation of the Corus Board, shareholders voted to adjourn those meetings until further notice.

The Panel subsequently announced during January 2007 that in order to provide an orderly resolution to this competitive situation, an auction process would be held to establish final bids from both Tata Steel and CSN. This auction process began on 30 January and, on 31 January 2007, CSN and Tata Steel UK announced revised offers for Corus. The final revised offer from CSN was 603p for each Corus share and the final revised offer from Tata Steel UK was 608p for each Corus share.

The Board of Corus subsequently recommended the Tata Steel offer. This concluded what the Corus Board considered to be an equitable and thorough process to secure the right strategic future for Corus and the best value for its shareholders. The final revised offer price represented a premium of 68.7% to the average closing mid-market share price of 360.5p per Corus share for the 12 months ended 4 October 2006, being the last business day prior to Tata Steel's original announcement that it was evaluating various business opportunities including Corus.

Shareholders voted to approve the Tata Steel scheme of arrangement, at the final price of 608p per share, at an EGM and court meeting held on 7 March 2007. Corus' shares were subsequently suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007 and the scheme became wholly effective on 2 April 2007.

Substantial shareholdings

All of the issued share capital of the Company was acquired by Tata Steel UK as at 2 April 2007. Information on substantial shareholdings for prior years is given below.

Substantial shareholdings	2005 % held	2004 % held
Shareholder interests:		
Brandes Investment Partners, LP	6.90	10.90
Legal & General plc	–	3.92
Standard Life Investments	4.99	3.14
Barclays PLC	3.36	–

Employees

As at 30 December 2006, there were 41,200 people employed worldwide by the Group. There are well established and effective arrangements at each business location for communication and consultation with Works Councils and Trade Union representatives. In addition to the two European Works Council meetings scheduled in 2006, a small group comprising key union leaders and employee representatives met with management on a regular basis to provide the opportunity for international exchange of information and consultation. Further consultation takes place at division, business, site and local level where appropriate. More detail is given under the 'People' section of the Review of the period on page 33.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities 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 has operated a sharesave scheme and a share ownership plan for all UK employees for a number of years. In 2004, an international sharesave scheme was launched for employees in the Netherlands and Germany. Further information on employee share schemes is given in the Report on remuneration on page 63 and in Note 29 to the Accounts on pages 118 to 124.

Corporate responsibility

For Corus, corporate responsibility involves the integration of its financial and strategic goals with:

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

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

More information on the Company's involvement with environmental and community issues is given on pages 34 and 35 of the Review of the period.

Corus intends to publish its Corporate Responsibility Report for 2006 in May 2007. It will be available on request, free of charge, and on the website www.corusgroup.com

Community involvement

The Company recognises its responsibilities to the communities in which it operates. During the year, Group charitable donations in the UK amounted to £272,605 (2005: £394,019). 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.

The Company does not make any donations to political parties and none were made during the year. However, authority was granted to the Company at the last AGM to make political donations to EU Political Organisations and incur EU Political Expenditure, pursuant to the Companies Act 1985, as amended by the Political Parties, Elections and Referendums Act 2000 (the 'Act'), up to a maximum of £50,000.

The resolution was intended to ensure that normal expenditure which, as a result of the wide definitions under the Act, could be construed as political expenditure or a donation to a political organisation was authorised provided that such expenditure was disclosed in the Report & Accounts.

Accordingly, it is reported that the Group incurred such expenditure amounting to £45,512 (2005: £43,340) in connection with employees being allowed time off with pay for attending to trade union business and carrying out civic duties.

Suppliers

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

The Company had nil days' purchases outstanding at 30 December 2006 (2005: nil), based on the average daily amount invoiced by suppliers during the year.

Research and development

Details are set out in 'Technology', on pages 35 to 37 of the Review of the period.

Statement as to disclosure of information to auditors

As required by Section 234ZA of the Companies Act 1985 (as amended by Section 9 of the Companies (Audit, Investigations and Community Enterprise) Act 2004) each director in office at the date of this Directors' report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the relevant steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the AGM.

The Board

There were no changes in the composition of the Board during the period under review. The Board comprised the Chairman, the Deputy Chairman, the Chief Executive, five non-executive directors and two executive directors.

However, upon completion of the acquisition of the Company by Tata Steel UK, a new board of Corus has been established, to include representatives from Tata Steel. Further detail is given under The Board on pages 56 and 57.

The Board regarded all the non-executive directors as being independent.

Dr Anthony Hayward was the nominated Senior Independent Director during the year.

During the latter part of 2003 there was a comprehensive review of the Board, its membership and its operations carried out in conjunction with external advisers, Whitehead Mann. Following this review new terms of reference were prepared for all Board committees, being nominations, audit, remuneration and health, safety and environment committees. Those terms of reference have been subjected to further annual reviews and, with some minor adjustments implemented in 2006, were found to remain appropriate.

At the end of the year a review of the effectiveness of the Board, its committees, the Chairman and other members was undertaken. The conclusion of this review was that further progress had been made in improving the Board's effectiveness, in particular, in the provision of information to the Board and its committees. As planned, a more detailed review will now be carried out, following completion of the acquisition of the Company by Tata Steel UK.

In addition, the Chairman conducted an evaluation of each director's performance and contribution to the Board during the year, and the Senior Independent Director carried out a similar evaluation of the Chairman.

The terms of reference of the Board committees may be found on the Company's website www.corusgroup.com or hard copies may be obtained from the Company.

All directors have been kept informed and updated on changes in governance and regulatory and legislative requirements through the year by the Company Secretary. It is intended to continue this programme during 2007 with regular briefings and seminars on relevant matters.

Attendance at meetings by directors is set out in the schedule below.

The Board has a formal schedule of matters reserved to it, and a detailed programme of items for discussion and review at its meetings. These include reviews on a regular basis of the financial results and forecasts of the Company, the approval of annual plans and capital expenditure proposals, appointments to the Board and its committees, the appointment of external professional advisers, the Company's risk management process and annual risk review and the approval of the Report & Accounts. The Board has delegated authority within certain financial limits for the management of the Company's operations to the Chief Executive and he, in turn, is authorised to sub-delegate authority to other executive directors and senior managers within the Company. The schedule of matters reserved to the Board, and the delegation of authority to the Chief Executive, were reviewed at the end of 2005 and 2006 and, subject to minor revisions implemented in 2006, were approved in January 2006 and March 2007.

Directors holding office during the year

	Date of appointment	Board meetings		Nomination committee meetings		Audit committee meetings		Remuneration committee meetings		HSE committee meetings	
		number	attended	number	attended	number	attended	number	attended	number	attended
Meeting attendance:											
Mr J W Leng	12 June 2001	18	18	–	–	na	na	na	na	na	na
Mr P Varin	1 May 2003	18	18	na	na	na	na	na	na	na	na
Mr E A van Amerongen	27 April 2001	18	16	–	–	na	na	5	4	3	2
Ms E N Harwerth	1 November 2005	18	18	na	na	5	5	na	na	3	3
Dr A B Hayward	22 April 2002	18	14	–	–	5	3	na	na	3	–
Mr R Henstra	1 October 2004	18	17	na	na	na	na	na	na	na	na
Dr K J Lauk	10 June 2003	18	13	–	–	5	5	na	na	na	na
Mr D M Lloyd	1 February 2001	18	18	na	na	na	na	na	na	na	na
Mr A M Robb	1 August 2003	18	17	na	na	5	5	5	5	na	na
Mr J H Schraven	1 December 2004	18	18	na	na	na	na	5	5	3	3

na Individual not a member of the committee.

A number of additional meetings were arranged at short notice to deal with matters arising in connection with the bid approaches made by Tata Steel UK and CSN Acquisitions during the period under review. Some directors were unable to attend because of prior commitments.

All directors have had full and timely access to relevant information relating to the Company's affairs which may be needed to enable them to discharge properly their duties and responsibilities.

There is a procedure in place for directors to obtain independent professional advice at the Company's expense in connection with their duties. During the year directors collectively were advised by the Company's professional advisers, although no director availed himself of separate advice. All directors have access to the advice and services of the Company Secretary and General Counsel and other executives within the Company.

The biographies of the Board of directors during the period of review are set out on pages 56 and 57.

Details of the directors' interests in ordinary shares of the Company as at the end of the period are set out in the Report on remuneration on pages 66 to 68.

During the period the Company adopted a policy whereby non-executive directors were appointed for terms of three years subject to a re-election by the shareholders in general meeting. All directors, both executive and non-executive, were also re-elected on a rotational basis and no director served for more than three years without having been re-elected by the shareholders.

Board committees

As has already been indicated, there were a number of Board committees which operated during the period under review, a summary of the terms of reference of the principal ones being set out below. In addition there was a Pensions committee and an Allotment committee which operated in connection with the Company employee share schemes. There have been a number of ad hoc committees with specific duties delegated by the Board during 2006, the most important of which was the committee established in October 2006 to oversee the bid process with the potential acquiring companies Tata Steel UK and CSN Acquisitions.

Audit committee

The Audit committee comprised Mr Andrew Robb (chairman), Dr Anthony Hayward, Dr Kurt Lauk and Ms Noël Harwerth. The Board of directors has determined that Mr Andrew Robb was an 'audit committee financial expert' for the purposes of the Company's listing on the New York Stock Exchange for the period under review and up to the date of delisting. On this same basis Mr Andrew Robb and each of the other members of the Audit committee was regarded by the Board as being an 'independent director'.

The role of the Audit committee was to assist Board oversight of the integrity of the Company's financial statements, reviewing significant financial reporting issues and judgements; compliance with legal and regulatory requirements, the Company's financial control and risk management systems, significant risk exposures and the process of identifying, monitoring and controlling them; the external auditors' qualifications, independence and remuneration and their performance; and the internal audit function.

During the year the committee met on five occasions with the executive management, internal audit and the external auditors present. Attendance at these meetings by the committee members is set out in the schedule opposite. The committee has also met four times with the external auditors without management being in attendance.

The committee has a schedule of matters to be considered during the year and dealt with specific matters at the time of the announcement of the quarterly and interim results for the period under review. The detailed terms of reference set out those matters which fell within the remit of the committee.

There is a formal procedure in place whereby the use of the external auditors for non-audit work was considered and, where appropriate, approved. This procedure was reviewed, and was such that the objectivity and independence of the auditors was not threatened or compromised.

Remuneration committee

The Remuneration committee comprised Mr Eric van Amerongen (chairman), Mr Andrew Robb and Mr Jacques Schraven. All members are regarded by the Board as being independent.

The role of the Remuneration committee was to determine and agree with the Board the broad policy for the remuneration of the Chairman, the executive directors, the Company Secretary and other members of senior management within the principles and guidelines laid down in the Combined Code.

The committee met on five occasions during the year. Attendance at meetings by members is set out in the schedule opposite. Further information on the activities of this committee is included in the Report on remuneration.

Nominations committee

The members of the Nominations committee throughout the year were Mr Jim Leng (chairman), Dr Anthony Hayward, Dr Kurt Lauk and Mr Eric van Amerongen.

The role of the Nominations committee is to identify and nominate candidates to the Board to fill vacancies on the Board, both executive and non-executive, as and when they arise and to ensure processes are in place with regard to succession planning for Board appointments and other senior management roles.

The Nominations committee did not meet during the year. The committee, to assist in the search for new directors, has used specialist consultants in prior years to provide a shortlist of potential candidates. The practice has been for individual members of the committee to meet separately with candidates, and then for members to communicate between themselves. Thereafter the views of all directors have been sought and, if requested, meetings have been held between them and candidates. Finally the full Board has been requested to approve the appointment.

Mr Jim Leng, holds a number of non-executive directorships of other unrelated companies, details of which are set out on page 56. The Nominations committee and the Board considered his external appointments at the time of his appointment as Chairman of Corus and, as with all directors, considers any new appointments to ensure there is no conflict of interest and that sufficient time will continue to be devoted to Corus business.

Health, Safety and Environment committee

The Health, Safety and Environment committee comprised Mr Jacques Schraven (chairman), Mr Eric van Amerongen, Dr Anthony Hayward and Ms Noël Harwerth.

The role of the Health, Safety and Environment committee is to approve the Company's policies with regard to health, safety and environment matters and to review the performance in relation to these matters.

The committee met on three occasions in 2006. Attendance at meetings by members is set out in the schedule on page 48.

Directors

Directors who held office during the year, their dates of appointment or retirement and their attendance at Board and committee meetings are set out in the schedule on page 48.

No director will be retiring by rotation. A new Corus Board has now been established following the acquisition of Corus by Tata Steel UK. This board now operates under the Chairmanship of Mr Ratan Tata and Mr Jim Leng serving as Deputy Chairman. As Chief Executive Officer, Mr Philippe Varin reports to Mr Ratan Tata with other Board members being Mr David Lloyd, Mr Rauke Henstra, Mr Jacques Schraven, Dr Anthony Hayward, Mr Andrew Robb and Mr Eric van Amerongen.

Representatives from Tata Steel on the Corus Board, appointed with effect from 23 April 2007, are Mr Arun Gandhi, Mr Ishaat Hussain, Mr Anwar Hasan, Mr Balasubramanian Muthuraman and Dr Tridibesh Mukherjee. Dr Kurt Lauk and Ms Noël Harwerth resigned as directors of the Company on the same date.

Mr Richard Shoyilekov is Company Secretary.

The Companies (Audit, Investigations and Community Enterprise) Act 2004 came into force on 6 April 2005, allowing companies to indemnify their directors against certain claims made against them arising out of the discharge of their duties.

As a result of this, the Company entered into qualifying third party indemnity arrangements (as defined in section 309B(1) of the Companies Act 1985) in 2005 with each of the directors and former directors of the Company who held office during 2005. There are also certain other indemnification arrangements with certain directors and former directors of certain associated companies (as defined in section 309A(6) of the Companies Act 1985) who held office during 2005. These arrangements are designed to be compatible with the Directors' and Officers' liability cover that the Company obtains as part of its overall programme of insurances and remain in place for 2006.

There are no arrangements or understandings either now or throughout the period of review with major shareholders, customers, suppliers or others, pursuant to which any director or member of senior management was selected for his position.

There are no family relationships between any directors and senior management.

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

Other than the acquisition of the Company by Tata Steel UK, details of which are summarised on page 10, there were no material transactions since the end of the financial year up to 30 April 2007.

Corporate governance

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

The Board is of the view that the Combined Code requires companies to comply or to explain non-compliance with the Code, and in explaining non-compliance the Company is in fact meeting the requirements of the Code. The Board is of the opinion that it met the requirements of the Code throughout the period and up to the date of delisting from the London Stock Exchange on 5 April 2007.

As a result of its historic listing on the New York Stock Exchange the Company was previously required to meet the compliance requirements of the US Sarbanes-Oxley Act. The Company has always undertaken work to seek to ensure that it would be in a position to comply with these requirements should it have been necessary to do so.

A code of ethics was adopted in June 2004, as required under the US Sarbanes-Oxley Act, which applies to the Company's principal executive and financial officers. The code of ethics is made available on the website www.corusgroup.com

As at the end of the year, work was substantially complete on a revised code of ethics for adoption on a company wide basis. This proposal will be reviewed for consideration by the newly constituted Board.

Internal control

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

There were no changes in Corus' internal control over financial reporting that occurred during the year ended 30 December 2006 that have materially affected, or are reasonably likely to materially affect, Corus' internal control over financial reporting.

The Group's system of internal control has been designed 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 process accords with the guidance contained in the document 'Internal Control Guidance for directors on the Combined Code' as issued by the ICAEW and the Turnbull guidance as incorporated into the Combined Code.

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. 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. It reports the consolidated results of these reviews to the Audit committee and thereafter to the Board to enable the directors to review the effectiveness of the system of internal control;
- 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; and
- the Health, Safety and Environment committee receives reports on health and safety issues and environmental audits carried out across the Group. The Board receives regular reports from all committees.

As noted above, Corus effectively acted during the period in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act, under which Corus' management was responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended. Corus' internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of Corus' financial statements would be prevented or detected.

With regard to the requirements of Section 404, Corus' management conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework of Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to ensure that it would be in a position to comply with these requirements should it be necessary to do so. The process put in place by Corus to seek to satisfy the requirements of Section 404 included a system to take appropriate remedial action where weaknesses were identified and it was appropriate to do so.

Day-to-day management

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

Corus Group plc is the parent company of Corus UK Limited and Corus Nederland BV, both of which are wholly owned subsidiaries. The Board of Corus UK and the Management Board of Corus Nederland are responsible for the day-to-day management of their respective businesses in accordance with the strategy laid down by Corus Group plc.

Corus UK Limited is a trading company and manages the businesses formerly owned by British Steel plc. Corus Nederland BV, previously Koninklijke Hoogovens NV, is a holding company for the businesses owned by Koninklijke Hoogovens prior to its merger with British Steel to form Corus.

Memorandum and articles of association

General

Corus Group plc is registered under the Companies Act 1985 as company number 3811373 and governed by the laws of England and Wales. The Company's objects can be found in Section 4 of its Memorandum of Association, and include, among many other things, the object to carry on business as a general commercial company and to carry on any trade, business or activity whatsoever and to act as a holding company.

Under the terms of the scheme of arrangement which became effective on 2 April 2007 whereby Tata Steel UK acquired the entire issued share capital of the Company, the Articles of Association have been amended by the adoption and inclusion of a new article covering shares in issue and to be issued pursuant to the scheme of arrangement.

The new article ensures that any Corus shares which are issued to any person (other than to Tata Steel UK) will be automatically acquired by Tata Steel UK in consideration of the payment of such amount of cash or loan notes (subject to conditions) as would have been payable for such shares under the scheme.

Directors' powers

No Corus director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge a material interest and, if he does so, his vote shall not be counted. However, these prohibitions do not apply to a director in relation to:

- (i) any guarantee, indemnity or security to be given to such director in respect of money lent or obligations undertaken by him for the benefit of Corus;
- (ii) any guarantee, indemnity or security to be given to a third party in respect of a debt or obligation of Corus which he has himself guaranteed, indemnified or secured in whole or in part;

- (iii) the subscription or purchase by him of shares, debentures or other securities of Corus pursuant to any offer or invitation in which the director is or may be entitled to participate as a holder of securities;
- (iv) the underwriting by him of any shares, debentures or other securities of Corus;
- (v) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of Corus or by reason of any other interest in or through Corus;
- (vi) any contract concerning any other company (not being a company in which the director owns one per cent or more) in which he is interested directly or indirectly;
- (vii) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to both the directors and employees of Corus and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates;
- (viii) any contract for the benefit of employees of Corus under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the relevant employees; and
- (ix) any contract for the purchase or maintenance for any director of insurance against any liability.

Directors are not required to vacate their office upon attaining the age of 70 years of age; however, if the Board convenes a general meeting at which, to the Board's knowledge, a director who is 70 or over will be proposed for appointment or re-appointment, it must give notice of his age in the documents convening the meeting but the accidental omission to do so shall not invalidate any proceedings, or any appointment of that director, at that meeting. At every AGM a number of directors that is not less than but nearest to one-third of the Board shall retire from office by rotation.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities and to give security, whether outright or as collateral security for any debt, liability or obligation of Corus or of any third party. The Board must restrict the borrowings of Corus and exercise all voting and other rights or powers of control exercisable by Corus in relation to its subsidiaries so as to secure that the aggregate principal amount from time to time outstanding of all borrowings by Corus (exclusive of borrowings within Corus) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the adjusted capital and reserves.

Share capital and share rights

As at the date of this document, the Company's share capital is £2,249,999,999.50 divided into 4,499,999,999 ordinary shares of 50p each. Pursuant to a special resolution of the Company passed on 7 March 2007 in connection with the acquisition of the Company by Tata Steel UK and an order of the High Court of Justice in England and Wales granted on 30 March 2007 and filed at Companies House on 2 April 2007, the share capital of the Company was reduced from £2,249,999,999.70 to £629,412,622.50 by the cancellation of 736,840,232 ordinary shares of 50p each and 3,130,418,153 deferred shares of 40p each. Under the same special resolution, following the reduction of capital taking effect, the authorised share capital of the Company was increased to its former amount by the creation of 3,241,174,754 ordinary shares of 50p each.

Subject to the Companies Act and other shareholders' rights, shares may be issued with or have attached to them such rights and restrictions as Corus may by ordinary resolution decide, or as the Board may decide if there is no such resolution or so far as the resolution does not make specific provision. Redeemable shares may be issued. Subject to the articles, the Companies Act and other shareholders' rights, Corus may purchase all or any of its shares, and unissued shares are at the disposal of the Board.

Subject to the Companies Act, Corus may vary the rights attached to any class of shares with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

Corus may, by ordinary resolution, consolidate, consolidate and then divide, or sub-divide its shares or any of them. Corus may cancel any shares that at the date of the resolution have not been taken or agreed to be taken.

Corus may, subject to the Companies Act, by special resolution reduce its share capital, share premium account, capital redemption reserve or any other undistributable reserve.

Dividends and other distributions

Subject to the Companies Act, Corus may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of Corus, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.

The Board may withhold payment of all or any part of any dividends payable in respect of Corus shares from a person with a 0.25% interest if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Except insofar as the rights attaching to, or the terms of issue of, any shares otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. No amount paid up on a share in advance of calls is to be treated as paid up on the share for this purpose. Dividends may be declared or paid in any currency.

The Board may, if authorised by an ordinary resolution of Corus, offer ordinary shareholders in respect of any dividend the right to elect to receive ordinary shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to Corus unless the Board decides otherwise.

Voting rights

Subject to any rights or restrictions attaching to any class of shares, every member present in person at a general meeting has, upon a show of hands, one vote, and every member present in person or by proxy has, upon a poll, one vote for every share held by him. No member shall be entitled to attend or vote either personally or by proxy at any general meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice after failure to provide Corus with information concerning interests in those shares required to be provided under the Companies Act.

Where shareholders choose to appoint proxies to vote on their behalf on a poll at shareholder meetings, such appointments must, under the Articles of Association of the Company, be received at such office or address as may be specified in the relevant notice of meeting not less than 48 hours before the time appointed for holding the meeting. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, proxy appointments must be received not less than 24 hours before the time appointed for taking the poll.

If a person with a 0.25% interest in Corus shares has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, those shares shall no longer confer on the holder any right to exercise any rights conferred by membership in relation to general meetings, including to attend or vote either personally or by proxy at any general meeting or at any separate general meeting of the holders of any class of shares.

Annual and extraordinary meetings of shareholders

The Board convenes AGMs and EGMs for the passing of a special resolution with notice of the resolution to all members entitled to receive such notice with not less than 21 clear days' notice in writing. All other EGMs are convened with not less than 14 clear days' notice in writing. The notice must specify the place, day and time of the meeting, and the nature of the business to be transacted. A shareholder is not entitled to receive notice of a general meeting or any other notice or document from Corus unless he has provided to the Company an address in the United Kingdom or in The Netherlands to which such notice may be sent.

Transfer of shares

A holder of uncertificated shares may transfer all or any of his shares by means of a relevant system subject to the provisions of the Uncertificated Securities Regulations and the rules of the relevant system. A holder of certificated shares may transfer all or any of his shares by executing an instrument of transfer in the usual form, or in any other form which the Board may approve. The Board may, in its absolute discretion, decline to register any transfer of any share:

- (i) which is not fully paid, provided that where such share is admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis;
- (ii) in the case of an uncertificated share, in the circumstances set out in the Uncertificated Securities Regulations;
- (iii) in the case of a certificated share, where the instrument of transfer (which shall be in respect of one class of share only) is not duly stamped and delivered to the Company's registered office (or such other place as the Board may determine) accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show that the person executing the transfer has the right to do so;
- (iv) where, in the case of a transfer to joint holders, the number of joint holders to whom such share is to be transferred exceeds four;
- (v) where the relevant share(s) are held by a person with a 0.25% interest if such person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided by the Companies Act, unless such transfer is pursuant to an arm's length sale or unless the holder of the shares has not himself failed to comply with the relevant provisions of the Companies Act, or proves to the satisfaction of the Board that no person who has failed to so comply is interested in any of the shares which are the subject of the transfer.

Relations with shareholders

During the period under review regular dialogue with institutional and major shareholders took place with the Chief Executive and Executive Director, Finance. General presentations were given after the quarterly, interim and annual results. Also during the year, as part of the dialogue with shareholders, meetings took place when a number of institutional shareholders met with the Chairman when general matters of governance, communications and other related issues were discussed.

The Board was fully and promptly updated on significant matters after meetings with institutional or major shareholders.

Full use was made of the Company's AGM to inform shareholders of developments and there was an opportunity for individual shareholders to ask questions both within the meeting itself and also before and after when directors were available for this purpose.

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

Accountability and audit

A statement of the directors' responsibilities for the preparation of the consolidated financial statements is set out on page 74.

In 2006, the Company produced a full Report & Accounts which included all the financial information which it was required to make available to shareholders. In addition, a shorter form report was sent to the overwhelming majority of shareholders. A half-year interim report was also published in selected daily newspapers in the UK, US and the Netherlands with all quarterly results releases being made available to any shareholder on request.

Going concern

The financial statements have been prepared on a going concern basis since the directors are satisfied that the activities of the Company and the Group are sustainable for the foreseeable future.

The New York Stock Exchange

Corporate governance practices

Under the listing standards of the New York Stock Exchange (NYSE) related to the corporate governance practices of listed companies, Corus, as a foreign private issuer with American Depositary Shares listed on the NYSE, was required to disclose any significant ways in which its corporate governance practices differed from those followed by US domestic companies under the NYSE listing standards. For the period under review and up to the date of delisting Corus did not believe that there were any significant differences in its corporate governance practices, as compared to those followed by US domestic companies under the NYSE listing standards, except as follows:

- although Corus considered that it has developed comprehensive corporate governance guidelines and practices in line with those required of US domestic companies, Corus had not adopted and disclosed in one consolidated document a single comprehensive set of corporate governance guidelines as called for by Section 303A(9) of the NYSE Listed Company Manual; and
- although the non-executive members of the Board of directors held meetings during the year at which Executive Board members were not present, those meetings were not regularly scheduled.

However, in both cases, Corus' practice was in line with the UK Combined Code on Corporate Governance.

Information regarding corporate governance practices can be found on the website www.corusgroup.com

By order of the Board

Richard Shoylevkov
Secretary
30 April 2007

The Board

Mr James Leng

Chairman

Jim Leng (61) was appointed a non-executive director of the Company in June 2001, Deputy Chairman and Senior Independent Director in April 2002 and Chairman in June 2003. He is also Chairman of Doncaster Group Limited, a non-executive director of Alstom SA and Hanson plc where he is Senior Independent Director. He was the Chief Executive of Laporte plc from 1995 until June 2001. He retired as a Director and Chairman of IMI plc in May 2005 and as a non-executive director of Pilkington plc in June 2006.

Mr Philippe Varin

Chief Executive

Philippe Varin (54) was appointed Chief Executive of the Company in May 2003. Prior to this he was the Senior Executive Vice President, Aluminium Sector, of Pechiney and a member of its Executive Committee. He joined Pechiney in 1978 in the R & D function, and held a number of positions in France and in the USA, including marketing, project construction, strategy and control leading to general management. He is President of Eurofer, the European Confederation of Iron and Steel Industries and was appointed a non-executive director of BG Plc in May 2006.

Mr Eric van Amerongen

Independent Director

Eric van Amerongen (53) was appointed a non-executive director of the Company in April 2001. He is a member of the Supervisory Boards of Imtech NV, HTT NV and ASMI NV. 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, Chairman of the Supervisory Board of CBR, Rijswijk, the Netherlands, and member of the Supervisory Board of ANWB, the Netherlands. He was appointed a non-executive director of Shanks Group plc in February 2007.

Ms Noël Harwerth

Independent Director

Noël Harwerth (59) was appointed a non-executive director of the Company in November 2005. She is currently non-executive Director of Royal & Sun Alliance Group Plc, Corporate Services Group plc, the Tote, Partnership Director of Tube Lines and Metronet and Deputy Chairman of Sumitomo Mitsui Banking Corporation Europe.

Dr Anthony Hayward

Senior Independent Director

Tony Hayward (49) was appointed a non-executive director of the Company in April 2002 and is the Senior Independent Director. He was a Group Managing Director and Chief Executive of Exploration and Production prior to his appointment as Chief Executive Designate of BP plc in January 2007.

Mr Rauke Henstra

Division Director Strip Products

Rauke Henstra (61) was appointed an executive director of the Company in October 2004, subsequent to becoming a member of the Executive committee in April 2004. He joined Koninklijke Hoogovens NV in 1973 and has held a number of senior positions throughout the Group. He was appointed a member of the Supervisory Board of Corus Nederland BV in January 2006.

Dr Kurt Lauk

Independent Director

Kurt Lauk (60) was appointed a non-executive director of the Company in June 2003. He is the President of Globe Capital Partners. He is a member of the Supervisory Boards of Gehring Maschinenbau GmbH and Forte Media CA. He is also a trustee of the International Institute of Strategic Studies in London and a director of Business Objects SA.

Mr David Lloyd

Executive Director, Finance

David Lloyd (43) was appointed an executive director of the Company in February 2001, subsequent to becoming a member of the Executive committee in December 2000. He joined British Steel in 1985 and has held a number of senior financial positions within the Company. He was a non-executive director of AvestaPolarit Oyj Abp in 2001 and 2002.

Mr Andrew Robb
Independent Director

Andrew Robb (64) was appointed a non-executive director of the Company in August 2003. He retired as a director of Pilkington plc in July 2003, having been its Finance Director between 1989 and 2001 and then the executive director responsible for relations with major partners and affiliates worldwide. He is a non-executive director of KESA Electrical plc, Laird Group plc, PayPoint plc and Northgate Information Solutions plc. He is also Chairman of the Pilkington Pension Scheme Trustees.

Mr Jacques Schraven
Deputy Chairman

Jacques Schraven (65) was appointed a non-executive director and Deputy Chairman of the Company in December 2004. Additionally, in 2005 he was appointed a member and Chairman of the Supervisory Board of Corus Nederland BV. Until June 2005 he was President of the Confederation of the Netherlands Industry and Employers (VNO-NCW). He joined Shell in 1968 and in 1997 was appointed Chairman of the Board of Shell Nederland BV. He is a member of the Supervisory Boards of NV NUON, Oranje Nassau Groep BV and Fortis OBAM NV. He is also Chairman of the Board of Trustees of the Erasmus Rotterdam Medical Centre and of the Netherlands Normalisation Institute (NEN).

Mr Richard Shoykov
Company Secretary and General Counsel

Richard Shoykov (41) was appointed as the Company Secretary and General Counsel of Corus Group plc in June 2005. He is also Secretary of the Executive committee. He joined the Company in April 2004 as Director Legal Affairs, prior to which he worked in the oil and gas sector, holding a variety of positions, including General Counsel at Eni SpA Exploration and Production Division.

Changes to the Board in 2007

Those people listed above served as members of the Corus Board of Directors during the period under review. However, a new Corus Board has now been established following the acquisition of Corus by Tata Steel UK. This board now operates under the Chairmanship of Mr Ratan Tata and Mr Jim Leng serving as Deputy Chairman. As Chief Executive Officer, Mr Philippe Varin reports to Mr Ratan Tata with other Board members being Mr David Lloyd, Mr Rauke Henstra, Mr Jacques Schraven, Dr Anthony Hayward, Mr Andrew Robb and Mr Eric van Amerongen.

Representatives from Tata Steel on the Corus Board, appointed with effect from 23 April 2007, are Mr Arun Gandhi, Mr Anwar Hasan, Mr Ishaat Hussain, Mr Balasubramanian Muthuraman and Dr Tridibesh Mukherjee. Dr Kurt Lauk and Ms Noël Harwerth resigned as directors of the Company on the same date.

The Membership of the Board committees during the period of review was as follows:

Audit committee

Andrew Robb (chairman)
Noël Harwerth
Anthony Hayward
Kurt Lauk

Remuneration committee

Eric van Amerongen (chairman)
Andrew Robb
Jacques Schraven

Nominations committee

James Leng (chairman)
Eric van Amerongen
Anthony Hayward
Kurt Lauk

Health, Safety and Environment committee

Jacques Schraven (chairman)
Eric van Amerongen
Noël Harwerth
Anthony Hayward

The Executive committee

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

The structure and responsibilities during the period under review were as follows:

Philippe Varin
Chief Executive

With overall responsibility for the management of the Company's business and, in addition, with direct responsibility for strategy, health and safety, corporate relations and communications.

Nelson Cunha
Group Director, Technology & Services

With responsibility for research, development and technology, information technology and continuous improvement. Age 51.

He joined the Company on 1 July 2005 from Companhia Siderúrgica Nacional where he was Executive Director in charge of Operations and Engineering. Mr Cunha left the Company as from 2 April 2007 and the position he held was discontinued.

Rauke Henstra
Division Director – Strip Products

With responsibility for Corus Strip Products IJmuiden and UK, Corus Packaging Plus, Corus Colors, Corus Special Strip, Cogent Power and Corus Tubes. He also has functional responsibility for automotive co-ordination.

David Lloyd
Executive Director, Finance

With functional responsibility for reporting and control, corporate finance, mergers and acquisitions, internal audit, investor relations and financial shared services.

Paul Lormor
Division Director – Long Products

With responsibility for Corus Construction & Industrial, Corus Engineering Steels, and Teesside Cast Products. He also has functional responsibility for construction co-ordination. Age 57.

Formerly a Chief Executive of Caparo Steel Products and a Director of Caparo Industries, he continues to serve on the board of Caparo Merchant Bar (a joint venture between Caparo and Corus).

Scott MacDonald
Division Director – Distribution & Building Systems

With responsibility for Corus International, Corus Distribution and Building Systems and Corus Consulting. He also has functional responsibilities for commercial co-ordination and supplies and transport. Age 54.

Previously the Chief Operating Officer of Klöckner & Co, Germany.

Richard Shoykov
Company Secretary and General Counsel

With functional responsibility for secretariat, legal services and property.

Staf Wouters
Director, Human Resources

With functional responsibility for human resources and compensation and benefits. Age 58.

He joined the Company on 1 February 2004 from PepsiCo Inc where he was Vice President Human Resources for a snack foods division. Mr Wouters will retire from the Company during the second quarter of 2007.

For the purposes of the Report & Accounts 2006, all of the members of the Executive committee are considered senior officers of the Company.

Biographies of Messrs Varin, Henstra, Lloyd and Shoykov are set out under The Board on pages 56 and 57.

The principal divisional activities are as follows:

Strip Products Division

Corus Strip Products IJmuiden and Corus Strip Products UK

Hot rolled steel strip and cold rolled and metallic coated steel

Corus Tubes

Steel tubes, hollow sections, linepipe and pipeline project management

Corus Special Strip

Plated precision strip products with specialist finishes

Corus Packaging Plus

Light gauge coated steel for packaging and non-packaging applications

Corus Colors

Pre-finished steels

Cogent Power

Electrical steels and transformer cores

Long Products Division

Corus Construction & Industrial

Plate, sections, wire rod and semi-finished steel, special profiles, railway products and services

Corus Engineering Steels

Engineering billet, straight and cooled bar, turned, drawn or ground bar and hot rolled narrow strip

Teesside Cast Products

Slab and bloom

Distribution & Building Systems Division

Corus Distribution and Building Systems

Service centres, further material processing and building systems

Corus International

Tailored product and service solutions for international projects and international trade

Corus Consulting

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

Aluminium Division

Corus Primary Aluminium

Extrusion billets, slabs and ingots

Report on remuneration

Introduction

The Report on remuneration is presented for the year ended 30 December 2006. The report's purpose is to define the strategy for Board and senior executive remuneration, describe the elements of remuneration and how they are determined and detail in full the remuneration for each director in the year under review. The report comprises the following:

- a description of the role of the Remuneration committee, its composition and work during the year and the resources used to provide independent advice;
- a summary of the Company's remuneration policy for senior executives;
- a description of the individual elements of remuneration, the objectives behind the structure for each one and its place in total remuneration;
- a comment on the Company's performance in 2006 and its impact on performance-related remuneration;
- an outline of the shareholding that Executive committee members were encouraged to accumulate;
- details of pensions and other benefits;
- a summary of non-executive directors' fees and the shareholding they were encouraged to accumulate;
- details of the service contracts and remuneration for each director; and
- details of each director's interest in shares of the Company as at 30 December 2006.

The Remuneration committee

The following directors were members of the Remuneration committee during the year:

- Mr Eric van Amerongen (chairman)
- Mr Andrew Robb
- Mr Jacques Schraven

All members are regarded as independent.

The committee met five times during the year. The Chairman and the Chief Executive were invited to the meetings and the Company Secretary, who acts as secretary of the committee, also attended the meetings. No one is involved in Remuneration committee meetings or decisions relating to their own remuneration or terms and conditions of employment.

During the period of review the committee's responsibilities were:

- to determine and regularly review the remuneration policy and the individual remuneration arrangements for the executive directors and other members of the Executive committee, including terms for appointments to the Executive committee, and the policy for other senior executives to ensure the Company can attract, retain and motivate people with the skills and talent required by the business;
- to determine appropriate targets for short term incentive arrangements for senior executives that are relevant, stretching and designed to enhance the performance of the Company;

- to ensure remuneration arrangements align the interests of senior executives with those of the shareholders;
- to consider the principles and provisions of good governance in relation to relevant requirements of the Combined Code and the Listing Rules in relation to the remuneration of executive directors and senior executives;
- to review and approve all long term incentive and share-related plans, including where appropriate performance conditions and targets and any requirements to acquire and hold personal shareholdings in the Company;
- to determine compensation payments on the early termination of employment of executive directors and other Executive committee members;
- to appoint and set the terms of reference of independent advisers to the committee; and
- to prepare an annual report on remuneration that complies with relevant regulations, for submission to the AGM.

During the year external advice was provided by the following specialist independent advisers:

- Ernst & Young LLP was appointed by the committee in December 2002 to act as principal independent adviser to the committee covering all aspects of the committee's remit. It also provides advice on remuneration to the Company's management and tax compliance services to the Company's expatriate employees. Ernst & Young in the Netherlands provides advice to the Central Works Council of Corus Nederland BV;
- During the year, a review of the advisers to the committee was conducted and Deloitte & Touche LLP was appointed by the committee to succeed Ernst & Young as principal independent adviser to the committee and the Company's management; and
- Towers Perrin continues to provide Total Shareholder Return (TSR) data relating to earlier executive share option schemes. It was appointed by the Company for this activity in 1999.

Advice was also given by the Company's Human Resources Director, the Compensation and Benefits Director and the Company Secretary.

Events during 2006

- Further conditional share awards were made under the Leveraged Equity Acquisition Plan (the long term incentive plan – LEAP). The mandatory deferral of half of annual bonus into shares by senior executives continued;
- As in previous years, no awards were made under the Company's share option plan;
- Base salaries for Executive committee members increased at rates similar to those for other employees;
- There were no changes to the Company's incentive arrangements during the year;
- Further progress was made towards the shareholding targets. Executive committee members were encouraged to accumulate; and

- Because of changes to UK pensions legislation, effective April 2006, alternatives to pension scheme participation were put in place providing a cash alternative to pension plan membership; any changes to individual pension alternatives were designed to be broadly cost-neutral to the Company.

Remuneration policy

There were no changes to the Company's remuneration policy during the year and no changes were made to the structure or make-up of executives' remuneration.

The Company's remuneration policy is formulated to attract, retain and engage high calibre employees and to motivate them to develop the business in line with the Company's strategy to be a world class, customer-focused supplier with sustained high levels of performance throughout the economic cycle. In order to achieve this, the remuneration policy as applied to Executive committee members and other senior executives was based on the following core principles:

- both individual elements and the total reward package are structured so as to be competitive with those provided for equivalent roles by other companies and to encourage and reward continuous improvement of the business in terms of operating and financial performance within a healthy and safe working environment;
- share-based incentive arrangements were a key feature of executives' remuneration packages and were structured to be consistent with the interests of the shareholders in the short, medium and longer term;
- minimum share ownership targets for executives, introduced in 2005, were designed to further align their interests with those of shareholders;
- executives have a greater proportion of total remuneration that is variable and at risk compared to other employees;
- in line with practice throughout the Company, executives' performance is reviewed annually, and financial and personal objectives set for the forthcoming period. The outcome of the appraisal is taken into account when reviewing base salary; in the case of Executive committee members, salary reviews and bonus payments are approved by the Remuneration committee; and
- contracts of employment for executive directors and other Executive committee members provide for a notice period not exceeding 12 months.

Elements of remuneration

The elements of executive remuneration were structured to provide an appropriate mix of fixed and variable remuneration. Fixed remuneration is base salary and benefits costs; variable remuneration comprises annual bonus and long term incentives.

Base pay

The Remuneration committee takes into account relevant information from independent consultants to position executives' base pay at competitive levels, when compared to similar roles

with similar responsibilities in other companies. The aim is to ensure salaries remain competitive, defined as around median compared to a wide group of companies, and also to reflect both overall success and individual performance. Salaries are usually reviewed annually against a number of factors including the performance of the Company as a whole, individual performance, general trends in remuneration and changes to the pay of other employees in the Group. The salaries of Executive committee members, including executive directors are broadly median to the market and, in recent years, have moved in aggregate at approximately the same rate as those of other employees (4-4.5% per annum). Salaries are typically reviewed at the beginning of each year; the base salaries reported and shown in the table on page 65 are therefore the actual salaries that were paid throughout the year.

Annual bonus scheme

There is a non-contractual, non-pensionable annual bonus scheme for executives that uses a balance of Group and, where relevant, divisional financial performance and measurable personal objectives to determine bonus. Three-quarters of maximum potential bonus is derived from financial measures with the balance from personal objectives.

All individual personal objectives for the executive directors and other Executive committee members and the financial targets for senior managers throughout the Group are agreed and approved by the Remuneration committee. Targets are set so as to reward the creation of value; to incentivise the delivery of the Company's annual plan, which is considered stretching and is itself subject to review and approval by the Board; and to direct effort to key deliverables.

No changes were made to the maximum potential annual bonus of 100% of base salary for the Chief Executive and 80% for executive directors and other members of the Executive committee.

The 2006 bonus scheme comprised a mix of Group financial and personal objectives, plus, in the case of the executives heading divisions, relevant divisional financial targets. The Group financial targets related to the achievement of EBITDA margin relative to EU competitors, operating profit, net debt position, and in the case of division directors, divisional operating profit and working capital ratios. Personal objectives were based on measurable, key deliverables within individual areas of responsibility.

Executive committee bonus payments for the year ranged between 49% and 75% of maximum, very similar to 2005 and again reflected the achievement of a majority of targets at Group level with more mixed divisional and personal performances.

The bonus scheme for 2007 is based on a similar mix of financial and personal objectives with the same proportion of total bonus applying to financial and personal elements.

Shareholding requirements

Executive committee members were encouraged to accumulate, over a period of four years from the date of appointment, and then retain, a holding in the shares of the Company. In the case of the Chief Executive, the target shareholding was 400,000 shares; for other members of the Executive committee the target was between 70,000 and 100,000 shares. The Chief Executive achieved this level of shareholding; for the other Executive committee members, individual shareholdings averaged 57% of target after two years.

Long term incentives

In 2004 the Company introduced a new share-based, long term incentive arrangement known as the Leveraged Equity Acquisition Plan (LEAP). Its objective was to create a very strong link between business performance, senior executives' reward and shareholders' interests over the medium term, by providing both an opportunity for executive directors and Executive committee members to invest in the Company's shares and a deferred bonus arrangement based on shares. Subject to the satisfaction of a performance condition, described below, an award of matching shares was available to be made based on the performance achieved and the number of shares executives had invested in the Plan.

There were three routes to investment in the LEAP:

- the mandatory investment of half of annual bonus;
- an award of conditional shares up to 25% of annual salary in any year; with conditional shares also subject to performance conditions, described below; and
- further shares from executives' own resources if they choose.

Under the rules, investment in any year was subject to a maximum commitment of 60% of an executive's annual base salary with all the above routes to investment counting towards this maximum.

Awards of conditional shares were made in 2004, 2005 and 2006; for Executive committee members these were respectively 25%, 15% and 25% of base salary in each year. These shares were due to vest, provided the Company's Total Shareholder Return (TSR) was at or above the 50th percentile compared to a comparator group of companies at the end of the performance period (which was originally intended to be of three years

duration). The comparator group consisted of the FTSE 250 at the date of the award, but excluded those companies in the finance sector. The number of conditional shares awarded and the number of shares acquired through bonus deferral up to 30 December 2006 are shown in the table on page 67.

Matching shares were also available to be awarded, with the number of potential matching shares determined by reference to the same performance condition and comparator group, in accordance with the table below. Matching shares were to be applied to shares acquired by bonus deferral, conditional shares and shares transferred to the LEAP from the executive's own resources.

The performance period for the 2004 award ended on 31 December 2006. The Company's TSR was 3rd in the comparator group and at the 99th percentile: conditional shares therefore vested together with matching shares of up to 3 times the number of shares in the LEAP. The performance periods for the 2005 and 2006 awards were brought to an early end, as a result of the shareholder approval of the Tata takeover, shortly before Corus shares were suspended from trading on 29 March 2007. The Company's TSR positions for the 2005 and 2006 awards were respectively 16th and 2nd in the comparator groups, placing them at the 90th and 99th percentiles: conditional shares therefore were awarded and matching shares of up to 3 times the number of shares in the LEAP also vested for each award, in accordance with the decision of the Remuneration committee in March 2007 that awards would fully vest.

Details of individual awards are shown in the table on page 67.

Performance graphs

The graphs that follow show the performance of the Company against the performance of the FTSE 100 and the FTSE 250 indices, chosen as representing relevant market indices, over the prescribed five year period.

The annual index chart is shown to comply with the relevant legislation; the daily index chart is included as this is more representative of actual Corus Group TSR performance.

It has been assumed that all dividends paid have been reinvested.

LEAP TSR Performance

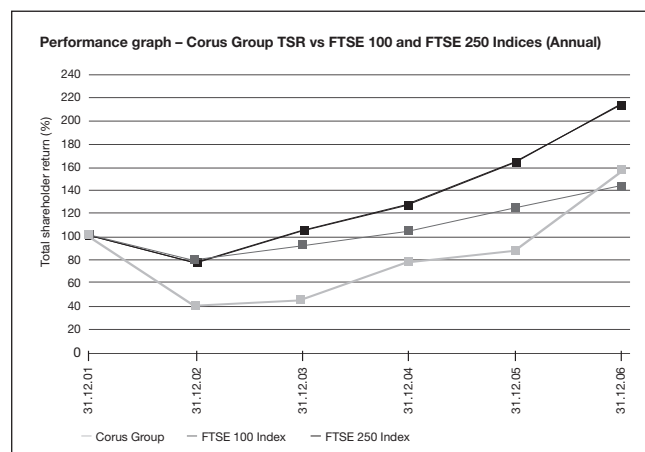
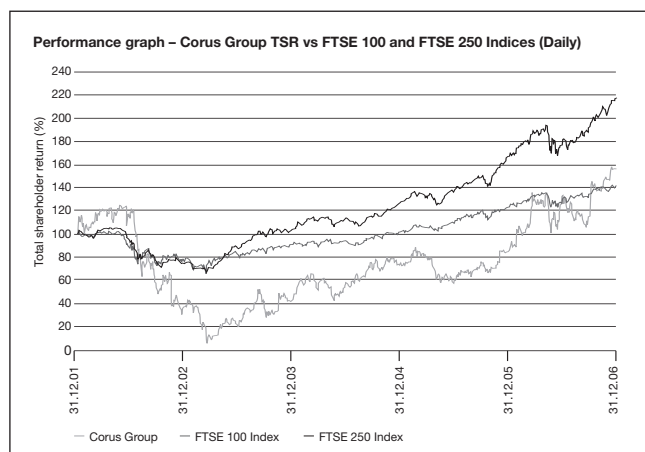
relative to comparator group

Matching awards

Percentile:

Below 50th	Nil
50th	One half of the shares in LEAP
51st to 66th	Pro rata between one half and one times the shares in LEAP
67th	One times the shares in LEAP
68th to 74th	Pro rata between one and two times the shares in LEAP
75th	Two times the shares in LEAP
76th to 89th	Pro rata between two and three times the shares in LEAP
90th and above	Three times the shares in LEAP

This performance condition was chosen because relative performance to a relevant group (the FTSE 250 excluding the finance sector) is considered a valid and appropriate comparator group as the Company was a constituent of this group at the time the LEAP was introduced.



Executive share option scheme

The executive share option scheme was approved by shareholders in September 1999.

Outstanding options granted to executive directors are set out in the table on page 68 and scheme details are described on page 66.

Mr Varin was also awarded share options on his appointment: these and the vesting details are shown in the table on page 68.

No further awards of options were granted to executive directors during the year.

Sharesave scheme

The Company has operated a Sharesave scheme within the UK for many years. The scheme was re-launched and internationalised in 2004 with invitations made in the UK, the Netherlands and Germany. Invitations to participate were also made in 2005.

Options are exercisable for a period of six months upon

completion of a three-year savings contract. The rules permit savings between £10 and £250 per month (or equivalent thereof for the international scheme).

Other long term incentives

As part of his contract, on joining the Company Mr Philippe Varin was awarded 1.1m shares conditional on his purchasing and retaining 1.1m shares (in each case the equivalent of 220,000 shares after restatement for the adjustment for the share consolidation effective 15 May 2006). These shares would normally have vested on the third anniversary of the date of the award.

Pensions

Pension and life assurance benefits reflect current practice in the UK and the Netherlands and are tailored to take account of historical obligations. Individual pension arrangements are set out below.

UK

Pension provision for all executives is based on salary alone – bonuses, other elements of pay and long term incentives are excluded. Where cash alternatives to pension or cash

Pension benefits earned by directors – UK

	Total accrued entitlement at year end £000	Increase in accrued pension during year £000	Increase in accrued pension during year after allowing for inflation £000	Transfer value as at beginning of year £000	Transfer value as at year end £000	Director's pension contributions during year £000	Increase in transfer value during year less director's contributions £000
D M Lloyd (43)	159	21	18	1,054	1,357	5	298

Notes:

- The pension entitlement shown is the accumulated pension that would be paid each year on retirement at normal pension age, based on service to 30 December 2006.
- The details shown have been calculated as at 31 December 2005 and 30 December 2006 respectively and exclude the amount and value of any additional voluntary contributions paid by the director.
- An immediate pension is payable on early retirement on or after age 50 if retirement is at the request of the Company.
- In accordance with the pension scheme rules, the above pensions are increased annually after retirement by reference to increases in the Retail Prices Index.
- 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. The transfer value represents a liability of the Company rather than any remuneration due to the individual and cannot be meaningfully aggregated with annual remuneration, as it is not money the individual is entitled to receive.
- The increase in transfer values during the year has been influenced by factors other than the direct increase in pension benefits. A market value adjustment is applied in the transfer calculation and an increase in the market value adjustment over the year resulted in increased transfer values.

Pension benefits earned by directors – Netherlands

	Total accrued entitlement at year end €000	Increase in accrued pension during year €000	Increase in accrued pension during year after allowing for inflation €000	Transfer value as at beginning of year €000	Transfer value as at year end €000	Director's pension contributions during year €000	Increase in transfer value during year less director's contributions €000
R Henstra (60)							
Accrued bridging pension (from age 62 to 65)	198	28	22	444	543	0.4	99
Accrued pension	251	10	2	2,683	2,944	30	231

Notes:

- (i) The pension entitlement shown is the accumulated pension that would be paid each year based on service at 30 December 2006.
- (ii) The details shown have been calculated as at 31 December 2005 and 30 December 2006 respectively and exclude the amount and value of any additional voluntary contributions paid by the director.
- (iii) The increases in accrued pension during the period are ordinarily offset to take account of inflation on the accumulated total accrued pension.
- (iv) In accordance with the scheme rules, pensions may be increased annually after retirement by the SPH Board, subject to scheme funding, by reference to a Dutch general index of retail prices.
- (v) 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. The transfer value represents a liability of the Company rather than any remuneration due to the individual and cannot be meaningfully aggregated with annual remuneration, as it is not money the individual is entitled to receive.

supplements are paid, these are similarly not taken into account in the calculation of annual bonus or other awards.

Mr Philippe Varin is not a member of any of the Company pension schemes. In accordance with his contract of employment, he is paid a pension allowance of 30% of his base salary. Mr Varin is covered by a life assurance benefit broadly equivalent to that provided under the British Steel Pension Scheme.

Mr David Lloyd is a long-serving member of the main and supplementary sections of the British Steel Pension Scheme. This is a defined benefit scheme which provides for all members one-sixtieth of final pensionable earnings for each year of service. It is separately funded and subject to HM Revenue & Customs (the Revenue) rules. Normal pension age for Mr Lloyd is 60. A two-thirds spouse's benefit would be payable on his death. Mr Lloyd chose to opt out of future accrual of pensionable service from 1 April 2006 and, in its place, to receive a cash allowance of 30% of his base salary.

Netherlands

Mr Rauke Henstra is a member of the Stichting Pensioenfond Hoogovens (SPH) which is a defined benefit pension scheme. Normal pension age for Mr Henstra is 62 and provision is made for a supplementary bridging pension from age 62 to 65 at which time the State Pension becomes payable.

The scheme places a limit on pensionable earnings (€211,648 at 30 December 2006) and arrangements have been made by the Company to provide additional pension benefits on a defined benefit basis. The Company provides for defined pension benefits on earnings between the limit and €309,066 (subject to annual review in line with the normal rules of the scheme) plus an allowance of 15% of his earnings between €309,066 and his actual base salary.

During Mr Henstra's active membership, the contingent widow's pension is automatically 70% of his reduced pension at normal

pension age. Following retirement, the pension entitlement for Mr Henstra has no automatic provision for a widow's pension, but scheme rules permit the election at retirement of the reduced member's pension and a contingent widow's pension of 70% of his adjusted pension.

Excess retirement benefits

No person who served as a director of the Company during or before 2006 has been paid or received retirement benefits in excess of the retirement benefits to which they were entitled on the date on which benefits first became payable.

The total amount set aside by the Group during 2006 to provide pension, retirement or similar benefits for all current directors was £380,000 (2005: £284,200).

Benefits

Executive committee members are provided with benefits in kind comprising a car or equivalent cash allowance, medical insurance and life assurance. In addition Mr Rauke Henstra receives fuel at the expense of the Company. Benefits in kind do not form part of pensionable earnings and are not taken into account for bonus purposes.

External appointments

Currently executive directors are permitted to hold up to one external directorship or office with the approval of the Board, retaining the fees payable from such appointments. Mr Varin holds one such external position with BG plc. He received £44,469 for the period 2 May 2006 to 31 December 2006.

Directors' service contracts

It is the Company's policy that employment contracts will provide for notice periods no longer than 12 months; all Executive committee members' service agreements are in line with that policy. Mr Philippe Varin and Mr David Lloyd have service contracts that provide for a rolling 12 month period of notice. Mr Rauke Henstra's service contract provides for a rolling

Directors' emoluments

The emoluments of the directors are as follows:

Analysis of executive directors' emoluments

	Basic salary and fees 2006 £	Annual bonus† 2006 £	Taxable benefits (non-cash) 2006 £	Taxable benefits (cash) 2006 £	Other payments 2006 £	Total 2006 £	Total 2005 £
P Varin (i)	811,669	512,163	32,728	245,296	–	1,601,856	1,527,722
R Henstra (ii)	372,185	170,412	13,065	24,181	–	579,843	569,565
D M Lloyd (iii)	425,578	234,813	18,878	95,625	–	774,894	673,813
Payment for former director							
S I Pettifor (iv)	–	–	–	–	50,150	50,150	384,559
H A M Vrans (v)	–	–	–	–	–	–	24,013
Sub total	1,609,432	917,388	64,671	365,102	50,150	3,006,743	3,179,672
Analysis of non-executive directors' emoluments							
J W Leng (vi)	275,000	–	21,651	–	123,612	420,263	381,349
E A van Amerongen	69,000	–	–	–	–	69,000	60,000
E N Harwerth (vii)	56,500	–	–	–	–	56,500	8,333
A B Hayward	69,000	–	–	–	–	69,000	60,000
K J Lauk	53,500	–	–	–	–	53,500	45,833
A M Robb	71,500	–	–	–	–	71,500	60,000
J H Schraven (viii)	76,000	–	–	–	26,725	102,725	74,412
M C van Veen	–	–	–	–	–	–	36,667
Sub total	670,500	–	21,651	–	150,337	842,488	726,594
Grand total	2,279,932	917,388	86,322	365,102	200,487	3,849,231	3,906,266

† Half the bonus is payable in cash and half in deferred shares under the LEAP. With the ending of the LEAP on completion of the acquisition of the Company by Tata Steel UK, all the bonus will be paid in cash in 2007.

Notes:

- (i) Under Mr Philippe Varin's contract, the Company is required to pay an allowance in lieu of pension equal to 30% of his base salary. Taxable cash benefits include payment of this allowance. He is paid partly in euros: the exchange rate used is £1 = €1.4654.
- (ii) Mr Rauke Henstra's taxable cash benefits include a pension supplement.
- (iii) Mr David Lloyd's taxable cash benefits include a pension supplement.
- (iv) Mr Stuart Pettifor retired on 31 May 2005. Other payments relate to fees for consultancy services after his retirement.
- (v) Mr Henk Vrans retired on 1 March 2004. Payments in 2005 include fees for consultancy services.
- (vi) Mr Jim Leng is entitled to receive each year an award of such number of Corus shares that, at the average price in that year, have a value of £84,746. As the Company was unable to deliver shares, being in a prohibited period under the Listing Rules until completion of the acquisition, a cash payment of £123,612 was made, based on the provision of shares at 608p, being the price of the recommended final offer from Tata Steel UK. This is shown under Other payments. Mr Leng will also receive an additional payment of £750,000 made in recognition of the additional work he has undertaken for the Company over the period of the last two years.
- (vii) Ms Noël Harwerth was appointed a director on 1 November 2005.
- (viii) Mr Jacques Schraven is Chairman of the Corus Nederland Supervisory Board.

six month period of notice. At the end of the financial year the unexpired terms were 12 months for Mr Varin and Mr Lloyd and six months for Mr Henstra respectively. The contracts provide that other than for cause the Company may terminate the employment on payment of a sum equal to salary and pension contributions, but not bonus, for the period the agreement would otherwise have continued.

Non-executive directors

Non-executive directors' fees, including fees for membership and, where applicable, chairing Board committees, are determined by reference to fees paid by comparable companies and to the roles and responsibilities undertaken by the directors. These fees are determined by the Chairman of the Company and the executive directors. Fees were reviewed in 2006 and increased to reflect the increasing responsibilities and time commitments of the non-executive directors.

The Chairman's fees were reviewed by the Remuneration committee and agreed by the Board without his participation.

The Chairman and the non-executive directors do not have service contracts with the Company. Non-executive directors were encouraged to hold 10,000 shares in the Company.

Details of current directors' contracts or letters of appointment are set out in the table on page 66.

Loans to directors

As previously reported there is outstanding an interest free loan from Corus Nederland BV to Mr Maarten van Veen which pre-dates the merger between Koninklijke Hoogovens and British Steel. This loan made in 1985 was in accordance with the practice within Hoogovens and was made at the time Mr van Veen relocated at the Company's request. The Companies Act 1985 allows for subsisting loans from overseas subsidiaries in existence at the date of appointment to remain in place. At the beginning of the year this loan amounted to €36,302 which was the highest amount outstanding during the year. During the year the agreed amount of €908 was repaid in accordance with the

loan conditions leaving a balance at the year end of €35,394. The loan is repayable by 2030. Also, as previously reported, Mr Van der Velden, a former director of Hoogovens, has a loan outstanding relating to relocation. This loan made in 1998 is due to be repaid by 2010. At the beginning of the year this loan amounted to €18,908. During the year the agreed amount of €3,781 was repaid, leaving a balance of €15,127.

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

No consideration was paid to or became receivable by third parties for making available the services of any person as a director of the Company, while a director of the Company, as a director of any of the Company's subsidiary undertakings, as a director of any other undertaking of which he was (while a director of the Company) a director by virtue of the Company's nomination, or otherwise in connection with the management of the Company or any such other undertaking during the year to 30 December 2006.

Emoluments of directors

	2006 £	2005 £
Executive directors:		
Salaries and related benefits	2,039,205	2,095,226
Performance related earnings	917,388	975,433
Non-executive directors:		
Fees and related benefits	842,488	726,594
Former directors:		
Consultancy services	50,150	109,013
Total	3,849,231	3,906,266

	Date of contract or letter of appointment	Notice period 30 December 2006
Executive directors:		
P Varin	1 May 2003	12 months
D M Lloyd	1 February 2001	12 months
R Henstra	1 October 2004	6 months
Non-executive directors (i):		
J W Leng (ii)	9 May 2003	12 months
E A van Amerongen	22 February 2001	–
E N Harwerth	1 November 2005	1 month
A B Hayward	15 February 2002	–
K J Lauk	13 May 2003	1 month
A M Robb	4 July 2003	1 month
J H Schraven	12 October 2004	1 month

Notes:

- (i) As non-executive directors do not have service contracts, their unexpired term of appointment is determined in accordance with the Articles of Association which requires them to be re-appointed by shareholders at least every three years.
- (ii) With effect from 1 January 2006, Mr Leng's terms provide for a rolling 12 month period of notice of termination.

Board directors

Directors' interests

Shares

The beneficial interests of the directors who held office at 30 December 2006 and their families in the ordinary shares of the Company, as at that date, are set out in the following tables. Other than as stated in this report, no director or his family had any right to subscribe for shares in the Company.

The voting rights attached to their shares were identical to those pertaining to all other ordinary shares in issue.

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

Directors' interests in shares of the Company

Directors shareholdings	30 Dec 2006 Ordinary shares of 50p	1 Jan 2006 Ordinary shares of 10p†
J W Leng	48,535	141,666
P Varin (ii)	573,891	1,769,466
E A van Amerongen	10,000	50,000
E N Harwerth (iii)	10,000	50,000
A B Hayward	10,555	52,776
R Henstra	0	0
K J Lauk	5,000	0
D M Lloyd (iv)	17,546	85,894
A M Robb	10,000	50,000
J H Schraven	10,000	50,000

† These share interests were in Corus Group plc 10p ordinary shares prior to the share consolidation effective 15 May 2006. For every 5 existing shares held on 12 May 2006 shareholders received 1 new ordinary share of 50p.

Notes:

- (i) None of the directors held non-beneficial interests at any time during the year.
- (ii) As at the year end, the shareholding included an entitlement to call on the Company for delivery of 220,000 ordinary shares. These shares were awarded on appointment in May 2003, conditional upon purchasing and retaining the same number of shares. The condition was met in May 2006.
- (iii) Interests held as American Depository Receipts.
- (iv) Since the year end, a further 65 shares have been acquired under the Employee Share Ownership Plan.

Executive Share Options

No options were granted during the year. Options were capable of being exercised three years after and before the expiry of ten years from the date of grant, subject to meeting the performance criteria. Performance measures related to both TSR and a target related to the return on shareholder funds. However, performance criteria ceased to apply in certain circumstances including in the event of change of control.

The options granted to the Chief Executive were subject to special performance conditions, as reported previously.

As a result of the Tata acquisition, these performance criteria were no longer required to be met. The Remuneration committee therefore determined that these options would become exercisable from 27 March 2007.

Leveraged Equity Acquisition Plan (LEAP)

	Award date	Cycle ending	1 Jan 2006	Movement during the period**	30 Dec 2006	Potential maximum award at vesting date	Vesting date	Actual vesting†
			Restated number*	Granted number*	Number			
Directors awards of deferred bonus shares								
P Varin	9 Mar 2004	2007	35,475	–	35,475	141,900	Apr 2007	141,900
	31 Mar 2005	2008	72,395	–	72,395	289,580	Mar 2008	289,580
	30 Mar 2006	2009		72,565	72,565	290,260	Mar 2009	290,260
			107,870	72,565	180,435	721,740		
D M Lloyd	9 Mar 2004	2007	17,457	–	17,457	69,828	Apr 2007	69,828
	31 Mar 2005	2008	36,530	–	36,530	146,120	Mar 2008	146,120
	30 Mar 2006	2009		30,429	30,429	121,716	Mar 2009	121,716
			53,987	30,429	84,416	337,664		
R Henstra	31 Mar 2005	2008	25,692	–	25,692	102,768	Mar 2008	102,768
	30 Mar 2006	2009		26,375	26,375	105,500	Mar 2009	105,500
			25,692	26,375	52,067	208,268		
Directors awards of conditional shares								
P Varin	22 Apr 2004	2007	87,157	–	87,157	348,628	Apr 2007	348,628
	31 Mar 2005	2008	40,069	–	40,069	160,276	Mar 2008	160,276
	30 Mar 2006	2009		55,702	55,702	222,808	Mar 2009	222,808
			127,226	55,702	182,928	731,712		
D M Lloyd	22 Apr 2004	2007	46,296	–	46,296	185,184	Apr 2007	185,184
	31 Mar 2005	2008	20,689	–	20,689	82,756	Mar 2008	82,756
	30 Mar 2006	2009		28,813	28,813	115,252	Mar 2009	115,252
			66,985	28,813	95,798	383,192		
R Henstra	22 Apr 2004	2007	33,074	–	33,074	132,296	Apr 2007	132,296
	31 Mar 2005	2008	17,241	–	17,241	68,964	Mar 2008	68,964
	30 Mar 2006	2009		23,775	23,775	95,100	Mar 2009	95,100
			50,315	23,775	74,090	269,360		

* Awards are after restatement for the adjustment arising from the share consolidation effective 15 May 2006 whereby every 5 existing ordinary shares of 10p each were consolidated into 1 new ordinary share of 50p each.

** No awards vested and no awards were lapsed, cancelled, or matched during the period to 30 December 2006.

† The vesting period for the 2004 awards ended on 31 December 2006. As a result of the Tata acquisition, the performance periods for the 2005 and 2006 awards were brought to an early end shortly before Corus shares were suspended from trading on 29 March 2007. The awards that vested for each executive director as a result, after determination by the Remuneration committee, are shown in this column.

Share options

The interests of the directors in share options and movements during the year are shown below.

Sharesave option schemes

Directors options over shares	Date of grant	Restated option price*	1 Jan 2006	Movement during the period	30 Dec 2006	Exercise period from	Exercise period to
			Restated number*	Number	Number		
P Varin	15 Oct 2004	212p	4,458	–	4,458	1 Jan 2008	30 Jun 2008
D M Lloyd	15 Oct 2004	212p	4,458	–	4,458	1 Jan 2008	30 Jun 2008

* Options details are after restatement for the adjustment arising from the share consolidation effective 15 May 2006. The number of shares under option was divided by five with the option price being multiplied by five to maintain the overall value.

Notes:

- No sharesave options are held by executive directors other than those shown above.
- No sharesave options held by executive directors were granted or lapsed during the year.
- No sharesave options held by executive directors were exercised during the financial years ended 31 December 2005 and 30 December 2006.
- The market price of the Company's shares at 30 December 2006 was 530.5p (31 December 2005: 295p) and the range during the year to that date was 295p to 537p (31 December 2005: 200p to 310p). Where relevant the market prices of shares have been restated for the share consolidation on 15 May 2006.
- There were no changes to sharesave options between the year end and 30 April 2007.
- Under the scheme of arrangement approved by shareholders on 7 March 2007, the above options became exercisable for a period of 6 months on 27 March 2007. Under the scheme, each optionholder was also entitled to carry on saving under the terms of the original sharesave contract to the normal maturity date.
- Subject to (vi) above sharesave options expire at the end of their exercise period.

Executive share option schemes

		Date of grant	Restated option price*	1 Jan 2006	Movement during the period	30 Dec 2006	Exercise period from	Exercise period to
				Restated number*	Lapsed number	Number		
Directors options over shares								
P Varin	(a)(e)	14 May 2003	79p	226,796	–	226,796	14 May 2006	13 May 2013
	(a)(e)	14 May 2003	79p	226,797	–	226,797	14 May 2007	13 May 2013
	(a)(e)	14 May 2003	79p	226,797	–	226,797	14 May 2008	13 May 2013
				680,390	–	680,390		
D M Lloyd	(b)(d)	30 Jul 1996	668p	526	526	–	30 Jul 1999	29 Jul 2006
	(c)(d)	30 Jul 1996	668p	1,791	1,791	–	30 Jul 1999	29 Jul 2006
	(c)(d)(e)	24 Jul 1997	592p	3,186	–	3,186	24 Jul 2000	23 Jul 2007
	(c)(d)(e)	30 Jun 1999	626p	10,902	–	10,902	30 Jun 2002	29 Jun 2009
	(a)(d)(e)	4 Feb 2000	583p	16,268	–	16,268	4 Feb 2003	3 Feb 2010
	(a)(d)(e)	28 Mar 2001	268p	102,515	–	102,515	28 Mar 2004	27 Mar 2011
				135,188	2,317	132,871		
R Henstra	(a)(d)(e)	4 Feb 2000	583p	21,319	–	21,319	4 Feb 2003	3 Feb 2010
	(a)(d)(e)	28 Mar 2001	268p	31,731	–	31,731	28 Mar 2004	27 Mar 2011
				53,050	–	53,050		

* Options details are after restatement for the adjustment arising from the share consolidation effective 15 May 2006. The number of shares under options was divided by five with the option price being multiplied by five to maintain the overall value.

- (a) Options granted under the Corus Executive Share Option Scheme.
- (b) Options granted under the Corus UK Executive Share Option Scheme (a former British Steel scheme).
- (c) Options granted under the Corus Overseas Executive Share Option Scheme (a former British Steel scheme).
- (d) Options were subject to performance criteria which were not met and lapsed on 29 July 2006.
- (e) Under the scheme of arrangement approved by shareholders on 7 March 2007, these options became exercisable on 27 March 2007 and all were exercised, except for the option granted 30 June 1999, on 28 March 2007 upon the scheme being sanctioned by the court.

Notes:

- (i) Options are no longer granted under any of the Executive Share Option schemes.
- (ii) No executive options were held by executive directors other than those shown above.
- (iii) No executive options held by executive directors were granted or lapsed during the year other than those shown above.
- (iv) No executive options held by executive directors were exercised during the financial years ended 31 December 2005 and 30 December 2006.
- (v) Executive options granted to Mr Philippe Varin were subject to the special performance condition of being in employment with the Company on the date that each tranche of options vested. The performance condition for the first tranche was met on 14 May 2006.
- (vi) The market price of the Company's shares at 30 December 2006 was 530.5p (31 December 2005: 295p) and the range during the year to that date was 295p to 537p (31 December 2005: 200p to 310p). Where relevant the market prices of shares have been restated for the share consolidation on 15 May 2006.

Other Executive committee members

The other Executive committee members, who were not executive directors of Corus were; Mr Nelson Cunha, Mr Paul Lormor, Mr Scott MacDonald, Mr Richard Shoylekov and Mr Staf Wouters.

Mr Gerhard Buddenbaum was a member of the Executive committee until his retirement in June 2006.

Emoluments

The aggregate emoluments of the other Executive committee members was £3,312,346 (2005: £2,819,146). Their total remuneration comprised base salary in the range £240,000 – £350,000; annual bonus with maximum potential of 80%; participation in the LEAP; and benefits including company car and private medical plan. Where an individual is relocated at the Company's request, reasonable expenses in line with the Company's policy are paid. Where this occurs, the expense is included in the aggregate emoluments figure shown above.

Pensions

Pension and life assurance benefits reflect current practice in the UK and Germany and are tailored to take account of historical obligations.

UK

An Executive committee member who is not a member of any of the Company pension schemes is paid a cash allowance. A life assurance benefit broadly equivalent to that provided under the British Steel Pension Scheme is also provided.

Members of the main and supplementary sections of the British Steel Pension Scheme participate in a defined benefit scheme which provides, for all members, one-sixtieth of final pensionable earnings for each year of service. It is separately funded and subject to Revenue rules. Normal pension age is 65. A one-half spouse's benefit would be payable on the death of the member.

Where an Executive committee member is subject to an earnings cap, which restricts the amount of pay which can be used to calculate contributions and benefits due a cash supplement is paid, based on base salary above the earnings cap to reflect the loss of pension coverage.

As for executive directors, Corus has offered to those members affected by the lifetime allowance the option to opt out of the pension scheme and receive a cash allowance.

Germany

Mr Gerhard Buddenbaum was a member of the Essener Verband Pension Scheme, which is a defined benefit pension scheme. He had pension rights in the scheme amounting to 40% of pensionable salary on his retirement at 1 July 2006.

The accumulated total amount set aside in 2006 to provide pension benefits for Executive committee members who are not executive directors was £261,000 (2005: £175,000).

Interests in shares

The other Executive committee members held in aggregate 18,799 ordinary shares as at 30 December 2006. Since the year end an additional 64 shares were acquired under the Employee Share Ownership Plan. The voting rights attached to their shares were identical to those pertaining to all other ordinary shares in issue.

As noted above, all of these issued shares were acquired by Tata Steel UK as at 2 April 2007.

LEAP

They also participated in the LEAP and held in aggregate 215,059 ordinary shares under the deferred bonus element and received a conditional award of 316,578 ordinary shares during the year. They had the potential to be awarded matching ordinary shares of up to three times the number of shares held in the LEAP, subject to meeting the given performance conditions described earlier. The vesting period for the 2004 awards ended on 31 December 2006. As a result of the Tata acquisition, the performance periods for the 2005 and 2006 awards ended shortly before Corus shares were suspended from trading on 29 March 2007.

Share options

The other Executive committee members held Sharesave options over 13,710 Corus ordinary shares, at prices ranging from 195p to 212.5p and exercisable between 1 January 2008 and 30 June 2009 with expiry dates ranging from 1 July 2008 to 1 July 2009. No other Executive committee member held or was granted executive share options during the period under review.

None of the other Executive committee members owned, on an individual basis and inclusive of shares underlying options and other equity awards, 1% or more of Corus' issued share capital during the period under review.

Other than as stated in this report, no other Executive committee member or his family has any right to subscribe for shares in the Company.

None of the other Executive committee members or their families had any interests in the shares of any subsidiary company.

Share dilution through the operation of share plans

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

On behalf of the Board

Richard Shoylekov
Secretary
30 April 2007

Auditable sections of the Report on remuneration

The following sections constitute the auditable part of the Report on remuneration, as defined in Part 3, Schedule 7A of the Companies Act 1985: paragraphs headed 'Long term incentives' and 'Other long term incentives'; tables headed 'Pension benefits earned by directors – UK' and tables headed 'Pension benefits earned by directors – Netherlands'; tables headed Directors' emoluments comprising 'Analysis of executive directors' emoluments' and 'Analysis of non-executive directors' emoluments'; paragraphs headed 'Loans to directors'; table headed 'Leveraged Equity Acquisition Plan (LEAP)'; tables headed 'Sharesave option schemes' and 'Executive share option schemes' and within the section headed 'Other Executive committee members' paragraphs headed 'Emoluments'; 'Pensions'; 'Interests in shares'; 'LEAP'; and 'Share options'.

Risk factors

Corus' business, financial condition and results of operations, will be influenced by a range of factors, many of which are beyond the control of Corus and its Board. These include various changing competitive and economic conditions that affect the market for steel. The risk factors set out below and the other information in this Report & Accounts should be considered carefully. There may be other risks that are not known to the Company or that may not be material now but could turn out to be material at a future date.

Risks relating to the Group's business

Corus has been subject to a leveraged acquisition by Tata Steel.

As highlighted on page 10, Tata Steel has acquired the entire issued share capital of Corus, through the implementation of a scheme of arrangement under section 425 of the Companies Act 1985. The cost of this acquisition is being financed by significant values of indebtedness. As discussed on page 42, on 30 April 2007, Tata Steel UK Limited signed an agreement for £3,670m of senior secured facilities for this purpose and to provide future working capital requirements for the enlarged group. These new facilities are subject to financial covenants. The specific risks of financial indebtedness and measurement against covenants are discussed as separate risk factors below.

In addition to the financing of the transaction, there will need to be a series of integration processes between the two groups that will require significant efforts by senior management and impact a number of aspects of the Group, including Corus' strategy. It is not yet possible to define all potential risks that will arise.

Corus has a substantial amount of indebtedness and other obligations, which could limit its operating flexibility and otherwise adversely affect its financial condition.

As of 30 December 2006, Corus had total borrowings of £1,395m. Corus' outstanding or future indebtedness and related covenants could limit its operating flexibility and could otherwise adversely affect its financial condition. This level of indebtedness could have important consequences, including the following:

- It may become difficult for Corus to obtain additional financing for working capital, capital expenditure, debt service requirements, acquisitions or general corporate or other purposes in the future.
- A substantial portion of Corus' cash flow from operations must be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available to Corus for other purposes.
- It may limit, along with the financial and other restrictive covenants applicable to Corus' debt, Corus' ability to borrow additional funds even when necessary to maintain adequate liquidity.
- Some of Corus' borrowings are, and are expected to be, at variable rates of interest (including borrowings under its primary bank credit facility in the future), which exposes

Corus to the risk of increased interest rates.

- Corus' flexibility to adjust to changing economic or market conditions may be constrained and its ability to withstand competitive pressures may be reduced, making Corus more vulnerable to a downturn in general economic conditions.
- It may place Corus at a competitive disadvantage compared to its competitors, if they have lower levels of debt and, as a consequence, have greater operating and financial flexibility than Corus.

Should Corus' credit rating be downgraded, such an event may make it more difficult for Corus to obtain additional financing. The addition of further debt to levels above those existing during the period under review could exacerbate these leverage-related risks, for example as a result of the additional financing noted above.

If Corus' cash flow and capital resources are insufficient to fund its debt service requirements and its other obligations, Corus may be forced to reduce or delay scheduled expansion and capital expenditure, sell material assets or operations, obtain additional capital or restructure or refinance all or a portion of its debt.

Corus' ability to comply with the covenants under its senior credit facility, or replacement financing, will depend on achieving planned financial results.

Corus had previously signed a €800m banking facility with a consortium of relationship banks and this arrangement was in place throughout the period of review. This revolving facility had a final maturity date of 31 December 2008 and provided committed bank financing for general corporate purposes and working capital requirements. Corus had to comply with certain financial covenants, several of which became more stringent over time. Although Corus was in compliance with these covenants during the period there could be no assurance that it would remain so in the future. The main issue for Corus was not the prospect of a potential breach but rather that the covenants could constrain its flexibility to act. However, compliance with covenants can be adversely affected if Corus is unable to achieve its planned financial results that, in turn, can be affected by unforeseen events and by events and circumstances outside of Corus' control. In the event that Corus breached covenants and was unable to obtain a waiver from lenders, it could have been in default under the facility and, consequently, other indebtedness. Upon a default, the lenders could have elected to declare all amounts borrowed under the facility, together with accrued interest, due and payable and/or enforce on the collateral securing the facility. The replacement facility and additional financing arising from the Tata Steel acquisition, as discussed above, includes, financial covenants with similar consequent risks.

Corus has incurred operating losses in previous years and may do so again.

Although Corus had an operating profit of £457m for the year ended 30 December 2006, it has reported operating losses in

previous years. The Group returned to profit in 2004 as a result of strong global demand for steel products and higher steel prices, which fully offset substantial increases in raw material costs. The Group also benefited from the Restoring Success programme previously launched to improve performance across all its businesses. Nevertheless, there can be no assurance that Corus will maintain positive operating income or cash flows from operations in the future.

Corus' operating results are strongly affected by movements in exchange rates, particularly between sterling and the euro and between sterling and the US dollar.

Corus derives most of its turnover and incurs much of its costs in the EU. Within the EU, Corus has substantial assets and sales in the UK, which is not a member of the euro-zone. Whereas the majority of the costs of Corus in the UK are not affected by the sterling to euro exchange rate, steel prices in Europe, including the UK, in the medium and long term are largely set in euros. Therefore, fluctuations in the sterling to euro exchange rate impact heavily on Corus' revenue in the UK. In 2006, £7,880m or 81% of the Group's total turnover was derived from Europe, the most important market for the Group. Turnover in other export markets and Corus' major supplies purchases, including iron ore and coal, are mainly denominated in US dollars. As a result, Corus' revenues are impacted by fluctuations in the US dollar to sterling and the US dollar to euro exchange rates. Volatility in exchange rates affects the Group's results from operations in a number of ways. It impacts the Group's revenues from export markets, affects the strength of Corus' competitors and exposes Corus' UK customers to similar pressures, which may result in a reduction in demand for steel in the UK.

Corus' operations may be adversely affected by business interruptions and property damage.

Corus' operations may be adversely affected by abnormal unplanned events such as explosions, fires and other industrial accidents, transportation interruptions and inclement weather.

As part of its risk management, Corus maintains insurance cover through a combination of self funding and policies purchased from third party insurers. To the extent one or more events occur that are not covered by insurance, Corus' operating results and cash flows may be materially adversely affected.

Corus' future pension expenses, based on actuarial assumptions, may prove more costly than currently anticipated and the market value of Corus' pension assets could decline.

Corus provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution plans. The Group contributes to the defined benefit plans the amount that is required by governing legislation in the countries in which it operates. Pension contributions are calculated by independent actuaries using various assumptions about future events. The actuarial assumptions used may differ from actual

future results due to changing market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants or other unforeseen factors. These differences may impact Corus' recorded net pension expense and liability, as well as future funding requirements. As at 30 December 2006, under IAS 19, the market value of Corus' pension assets was £13,720m and its pension liabilities were assessed at £13,493m. If there is a significant adverse change in the market value of Corus' pension assets, Corus may need to increase its pension contributions, which could have an adverse impact on Corus' financial results.

Corus' long term success is dependent upon the services of key employees.

The Group depends on its ability to attract, retain and motivate highly skilled and qualified people. If Corus lost the services of key people or was unable to attract and retain employees with the right capabilities and experience, it could have a material effect on the Group's business and operations. In addition, the success of Corus' acquisitions may depend in part on its ability to retain management personnel of acquired businesses.

Corus' corporate reputation could be damaged if it fails to meet high safety, quality, social, environmental and ethical standards.

Corus has a good corporate reputation and its businesses, which operate in the European Union and in around 30 countries outside the EU, generally have a high profile in their local area. Should any part of the Group fail to meet high safety, quality, social, environmental and ethical standards, Corus' corporate reputation could be damaged, leading to the rejection of products by customers, devaluation of the Corus brand and diversion of management time into rebuilding and restoring its reputation.

Risks relating to the steel industry

Corus' results of operations could be adversely affected by the cyclical nature of the steel industry and the industries Corus serves.

The steel industry is highly cyclical, sensitive to general economic conditions and dependent on the condition of certain other industries. Corus' steel business supports cyclical industries such as the automotive, appliance, construction and energy industries. The demand for steel products is generally affected by macroeconomic fluctuations in Europe and the global markets in which steel companies sell their products. As a result, the prices of steel and steel products may fluctuate significantly due to many factors beyond Corus' control. When downturns occur in these sectors, Corus may experience decreased demand for its products, which may have a material adverse effect on its financial results. The volatility and the length and nature of business cycles affecting the steel industry have become increasingly unpredictable, and the recurrence of another major downturn in the industry may have a material adverse impact on Corus' business, operations, profits and financial condition.

A change in the demand for steel in China could have a significant impact on the global steel market.

China is continuing to increase steel producing capacity by millions of tonnes every year and importing large volumes of raw materials. China's imports of raw materials have driven up prices globally, particularly for iron ore, metallurgical coal and scrap. In addition, Chinese demand for freight to import raw materials and export finished products has increased ocean freight rates. Corus has already experienced the impact of higher raw material prices and freight costs, which may increase further. In 2006, the Chinese supply of steel began to outstrip consumption. As a result, China significantly increased its exports to other countries, notably the US and EU, becoming a net exporter for the first time. In addition to this direct effect, there was also an indirect effect as other countries previously exporting to China have also had to seek alternative markets. If this trend continues, and Chinese production continues to grow ahead of demand, China's net export position may increase further. Such behaviour could impact the markets which Corus sells into, resulting in Corus losing its sales volume, or having to reduce steel prices, which may have a material adverse impact on Corus' revenues and financial condition.

Corus' profitability may be affected by changes in the cost of raw materials and Corus may not be able to recover increased raw material costs in higher selling prices.

The prices of many of the raw materials Corus uses depend on worldwide supply and demand relationships, and are therefore subject to fluctuation. The principal raw materials used by Corus are iron ore and metallurgical coal, purchased on international markets, and scrap. Corus typically enters into long term supply contracts with certain of its raw material vendors. The pricing terms of these contracts are determined on an annual basis and thus do not protect Corus from significant price increases. There is a potential time lag between changes in prices under Corus' purchase contracts with its vendors and the time when Corus can implement a corresponding price change under its sales contracts with its customers.

Prices for the raw materials that Corus requires may continue to increase and, if they do, Corus may not be able to pass on the entire cost of such increases to its customers or to offset fully the effects of higher raw material costs through productivity improvements, which may cause its profitability to decline. When the global demand for raw materials is strong, the terms of supply purchase contracts may be disadvantageous to Corus. Thus price increases for supplies could have a material adverse effect on Corus' ability to sell certain of its products in a cost-effective manner and sell such products profitably.

Corus' business is greatly affected by price volatility, which is largely the result of high fixed costs characteristic of the steel industry.

The production of steel is capital intensive, with a high proportion of fixed costs to total costs. Consequently, steel producers generally seek to maintain high capacity utilisation. If capacity

exceeds demand, there is a tendency for prices to fall sharply if supply is largely maintained. Conversely, expansion of capacity requires long lead times so that, if demand grows strongly, prices increase rapidly, as unutilised capacity cannot be brought on line as quickly. The result can be substantial price volatility. While Corus has taken steps to reduce operating costs, including reducing steel production capacity, Corus may be negatively affected by significant price volatility, particularly in the event of excess production capacity in the global steel market, and incur operating losses as a result.

Strong competition may continue to exert downward pressure on Corus pricing.

Corus experiences intense competition within the steel and aluminium industries at both a regional and global level. International trade is a substantial component of Corus' business, with the result that changes in market conditions in one region are rapidly transmitted to other regions. The competitive arena encompasses quality, customer service, delivery performance, product development and price. Although as a technologically advanced materials producer Corus attempts to differentiate its products by emphasising their non-price advantages, Corus is still subject to strong competition from its traditional competitors as well as from commodity producers in developing countries that compete in the markets in which Corus seeks to sell its products.

High energy costs adversely impact Corus' results from operations.

Both steel and aluminium production processes are energy intensive. Corus' operations consume large amounts of energy, in particular natural gas and electricity. A prolonged interruption of supply or a significant increase in energy prices could have an adverse impact on Corus' financial results. For example, at normal annual consumption levels, every £0.001 per kilowatt-hour rise in electricity costs would increase Corus' operating costs by approximately £10m, while a £0.01 per therm rise in natural gas prices would increase Corus' operating costs by approximately £4m. In addition, Corus' aluminium smelters generally require an uninterrupted supply of intense electrical energy, and any significant interruption may have a technical, commercial and financial impact on the facility concerned.

Energy prices are rising and may continue to rise and, if they do so, Corus may not be able to pass on the entire cost of such increases to its customers or to offset fully the effects of higher gas and electricity costs through productivity improvements, which may cause its profitability to decline. The terms of energy purchase contracts may be disadvantageous to Corus and price increases for energy could have a material adverse effect on Corus' ability to sell certain of its products in a cost-effective manner and sell such products profitably.

Corus has endeavoured to minimise the cost impact of energy taxes through negotiated agreements. From April 2001, the UK Government imposed a tax on the business use of energy (the

Climate Change Levy). A negotiated agreement was signed with the UK Government to allow Corus to take an 80% reduction in the amount of such tax provided certain energy targets are met for milestone years (2004, 2006 etc.). Corus met its target for 2004 and has received this reduction for 2005 and 2006. Similarly Corus has met its target for 2006 and will continue to receive the reduction for 2007 and 2008. The reduction is worth approximately £28m per annum.

Health, safety and environmental matters, including compliance with environmental laws and remediation of contamination, could result in substantially increased capital requirements and operating costs.

Corus' businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety and the environment in the countries in which Corus operates. These laws, regulations and contractual commitments concern air emissions, wastewater discharges, solid and hazardous waste material handling and disposal, worker health and safety, and the investigation and remediation of contamination or other environmental restoration. The risks of substantial costs and liabilities related to these laws and regulations are an inherent part of the Group's business, and future conditions and contamination may develop, arise or be discovered that create substantial environmental compliance, remediation or restoration liabilities and costs. Although Corus believes that its operations are in substantial compliance with currently applicable environmental, health and safety regulations, violations of such laws or regulations can lead to fines and penalties. In addition, risks of substantial costs and liabilities, including for the investigation and remediation of past or present contamination or other environmental restoration, at facilities currently or formerly owned or operated by Corus, or at which wastes have been disposed or materials extracted, are inherent in Corus' operations, and there can be no assurance that substantial costs and liabilities will not be incurred in the future.

Other developments, such as increased requirements of environmental, health and safety laws and regulations, increasingly strict enforcement thereof by governmental authorities, and claims for damages to property or injury to persons resulting from the environmental, health or safety impacts of Corus' operations or past contamination, could prevent or restrict some of Corus' operations, require the expenditure of significant funds to bring Corus into compliance, involve the imposition of clean up requirements and give rise to civil or criminal liability. There can be no assurance that any such legislation, regulation, enforcement or private claim will not have a material adverse effect on Corus' business, financial condition or results of operations.

The EU Emissions Trading Scheme (EU ETS) was adopted on 22 July 2003 and came into force on 1 January 2005. Participation is mandatory for defined sectors including combustion plant, iron and steel production, sinter plants, coke ovens and lime production. Primary aluminium production is not

currently included. Production may be restricted and/or costs may be incurred if the issued allowances for CO₂ are insufficient to meet the actual emissions and the shortfall of emissions has to be met by purchases on the EU ETS market. A failure to surrender enough CO₂ credits at the end of each year would result in a fine of €40 per tonne of CO₂ for the first phase 2005 to 2007. In addition, the shortfall in CO₂ has also to be purchased on the ETS market. Although Corus had sufficient issued allowances to meet its actual emissions in 2006, there can be no assumption that Corus will remain in compliance with the provisions of the EU ETS in the future and significant fines or other costs could be imposed in the event of non-compliance. In particular, final Phase 2 (2008 to 2012) allocations are only due to be published later in 2007.

Corus is currently addressing contamination at its closed facilities, and may be required to initiate environmental investigation and remediation projects at both former and current operating locations. In addition to potential clean up liability, Corus may become subject to monetary fines and penalties for violation of applicable laws, regulations or administrative orders.

Corus may be subject to liability related to the use of hazardous substances in production.

Corus uses a variety of hazardous materials, gases and chemicals in its manufacturing activities. The management, use and disposal of these substances are regulated by laws and regulations that have not, to date, resulted in material costs to Corus. There can be no assurance that more onerous laws will not be adopted in the future, resulting in material costs or liabilities to Corus. In the event that any of these substances, proves to be toxic or accidents involving these substances occur, Corus may be liable for increased costs for health-related claims or removal or treatment of such substances.

Actions taken by governments of other major steel importing countries can result in disruption to Corus' business and affect steel prices globally as trade flows adjust.

The large trade flows and, in particular, large swings in trade, which can result from changing market conditions, can lead to trade remedy actions to protect domestic industries. Exports by Corus to the United States have been subject to such trade remedies, including 'Safeguard' measures imposed by the US under Section 201 of the US Trade Act of 1974 on imports of a number of steel products such as flat rolled steel, plates, and wire rod. Although these Safeguard measures were terminated in December 2003, there can be no assurance that future similar trade remedy measures instituted by the US or other governments will not have a significant impact on Corus' export sales or that Corus will be able to mitigate the impact of such measures.

Statement of directors' responsibilities in relation to the consolidated 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 responsible for:

- ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Group at any time from which the financial statements can be prepared to comply with the Companies Act 1985 and Article 4 of the IAS Regulation;
- preparing financial statements for each financial period which give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of affairs of the Group as at the end of the financial period and of profit for that period; and
- 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.

The directors consider that in preparing the financial statements, which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated statement of recognised income and expense, the Consolidated cash flow statement, the Presentation of accounts and accounting policies and the Notes to the consolidated accounts, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, and that their preparation on a going concern basis is appropriate.

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 Shoylekov
Secretary
30 April 2007

Independent auditors' report to the members of Corus Group plc

We have audited the Group financial statements of Corus Group plc for the year ended 30 December 2006 which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated statement of recognised income and expense, the Consolidated cash flow statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Corus Group plc for the year ended 30 December 2006 and on the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' report is not consistent with the Group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Operational and financial highlights, the Chief

Executive's statement, the Presentation of information, the Review of the period, the Financial review, the Directors' report, the Board, the Executive committee, the unaudited part of the Report on remuneration, the Financial summary, Some important data in euros, the Ancillary information, the Information for shareholders and the Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 December 2006 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 April 2007

Consolidated income statement

For the financial period ended 30 December 2006	Note	2006 £m	2005 £m	2004 £m
Group turnover	1	9,733	9,155	8,373
Total operating costs	2	(9,276)	(8,512)	(7,756)
Group operating profit	1	457	643	617
Finance costs	5	(202)	(127)	(123)
Finance income	5	34	31	12
Share of post-tax profits of joint ventures and associates	13	24	1	21
Profit before taxation		313	548	527
Taxation	6	(119)	(116)	(119)
Profit after taxation from continuing operations		194	432	408
Profit after taxation from discontinued operations	7	35	19	33
Profit after taxation		229	451	441
Attributable to:				
Equity holders of the parent		223	452	447
Minority interests	31	6	(1)	(6)
		229	451	441
Earnings per share	9			
From continuing operations:				
Basic earnings per ordinary share		21.01p	48.14p	46.40p
Diluted earnings per ordinary share		20.38p	46.21p	43.48p
From discontinued operations:				
Basic earnings per ordinary share		3.91p	2.70p	3.94p
Diluted earnings per ordinary share		3.72p	2.49p	3.65p

As required by IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', Corus' aluminium rolled products and extrusions businesses have been classified as discontinued operations. The disposal of these businesses to Aleris International Inc. was completed on 1 August 2006. Turnover, group operating profit and profit before taxation for all periods presented exclude the results of these businesses, which are shown as a single net amount in the consolidated income statement below profit after taxation from continuing operations. All comparative periods now reflect this reclassification.

Notes and related statements forming part of these accounts appear on pages 80 to 140; Note 30 sets out the movements on reserves.

Consolidated balance sheet

At 30 December 2006	Note	2006 £m	2005 £m
Non-current assets			
Goodwill	10	72	83
Other intangible assets	11	58	56
Property, plant and equipment	12	2,758	2,820
Equity accounted investments	13	89	95
Other investments	14	62	113
Retirement benefit assets	38	451	157
Deferred tax assets	27	178	172
		3,668	3,496
Current assets			
Inventories	15	1,890	1,954
Trade and other receivables	17	1,683	1,597
Current tax assets	16	7	21
Short term investments	18	8	–
Cash and short term deposits	18	823	871
Assets held for sale	19	1	3
		4,412	4,446
TOTAL ASSETS		8,080	7,942
Current liabilities			
Short term borrowings	21	(159)	(384)
Trade and other payables	20	(2,017)	(1,882)
Current tax liabilities	16	(89)	(79)
Retirement benefit obligations	38	(2)	(5)
Short term provisions and other liabilities	26	(81)	(117)
		(2,348)	(2,467)
Non-current liabilities			
Long term borrowings	21	(1,236)	(1,308)
Deferred tax liabilities	27	(123)	(126)
Retirement benefit obligations	38	(210)	(436)
Provisions for liabilities and charges	26	(94)	(116)
Other non-current liabilities	22	(70)	(46)
Deferred income	28	(65)	(65)
		(1,798)	(2,097)
TOTAL LIABILITIES		(4,146)	(4,564)
NET ASSETS		3,934	3,378
Equity			
Called up share capital	29	1,725	1,697
Share premium account	30	389	173
Other reserves	30	331	283
Consolidated reserves	30	1,485	1,199
Equity attributable to equity holders of the parent		3,930	3,352
Minority interests	31	4	26
TOTAL EQUITY		3,934	3,378

Approved by the Board and signed on its behalf by:

P Varin
D M Lloyd
30 April 2007

Notes and related statements forming part of these accounts appear on pages 80 to 140.

Consolidated statement of recognised income and expense

For the financial period ended 30 December 2006	Note	2006 £m	2005 £m	2004 £m
Actuarial gains/(losses) on defined benefit pension and other post-retirement plans		224	(156)	(64)
Net movement on fair values of cash flow hedges		(40)	(6)	–
Revaluation of available for sale investments	14	–	7	–
Transfer of gains on disposal of available for sale investments		(6)	–	–
Tax on items taken directly to reserves		29	24	19
Revaluation of goodwill due to exchange	10	(1)	(2)	–
Exchange movements on currency net investments		(44)	(12)	(2)
Transfer of cash flow hedge reserves on disposals	40	(12)	–	–
Transfer of deferred tax on cash flow hedge reserves on disposals	40	8	–	–
Transfer of cumulative foreign exchange on reduction of currency net investments		10	–	–
Net income/(expense) recognised directly in equity		168	(145)	(47)
Profit after taxation		229	451	441
Total recognised income and expense for the period		397	306	394
Adoption of IAS 32 and IAS 39		–	16	–
Adoption of IFRIC 4 (entirely attributable to equity holders of the parent)		(3)	–	–
		394	322	394
Total recognised income and expense for the period attributable to:				
Equity holders of the parent		393	307	400
Minority interests		4	(1)	(6)
		397	306	394
Adoption of IAS 32 and IAS 39 attributable to:				
Equity holders of the parent		–	24	–
Minority interests		–	(8)	–
		–	16	–

Notes and related statements forming part of these accounts appear on pages 80 to 140.

Consolidated cash flow statement

For the financial period ended 30 December 2006	Note	2006 £m	2005 £m	2004 £m
Operating activities				
Cash generated from operations	35	373	939	578
Interest paid		(101)	(115)	(104)
Premium received on issue of new loans	21	-	-	8
Premium paid on redemption of Eurobond		-	-	(9)
Premium paid on redemption of Debenture stock	5	(87)	-	-
Issue costs of new loans		-	-	(15)
Interest element of finance lease rental payments		(11)	(1)	(2)
Taxation paid		(49)	(166)	(93)
Net cash flow from operating activities		125	657	363
Investing activities				
Purchase of property, plant and equipment		(416)	(423)	(310)
Contract advances and development grants received		5	2	-
Sale of property, plant and equipment		59	49	37
Purchase of other intangible assets		(20)	(29)	(12)
Sale/(purchase) of other fixed asset investments		49	(35)	(12)
Loans to joint ventures and associates		(2)	-	(1)
Repayment of loans from joint ventures and associates		2	-	6
Purchase of subsidiary undertakings and businesses		-	-	(17)
Net cash acquired with subsidiary undertakings and businesses		-	-	6
Investments in joint ventures and associates		-	-	(5)
Sale of businesses and subsidiary undertakings	40(iii)	382	29	95
Acquisition of minority interests	39	(10)	-	-
Sale of joint ventures and associates	13	17	3	2
Dividends from joint ventures and associates		13	9	4
Interest received		28	30	12
(Purchase)/sale of short term investments		(8)	11	(5)
Net cash flow from investing activities		99	(354)	(200)
Financing activities				
Cash inflow from issue of ordinary shares		17	6	1
New loans		13	3	558
Repayment of borrowings		(177)	(19)	(503)
Capital element of finance lease rental payment		(28)	(1)	(1)
Dividends paid	8	(69)	(22)	-
Net cash flow from financing activities		(244)	(33)	55
(Decrease)/increase in cash and cash equivalents		(20)	270	218
Cash and cash equivalents at beginning of period		825	557	340
Effect of foreign exchange rate changes		(7)	(2)	(1)
Cash and cash equivalents at end of period		798	825	557
Cash and cash equivalents consist of:				
Cash and short term deposits	18	823	871	589
Bank overdrafts	21	(25)	(46)	(32)
		798	825	557

The amounts above relate to total operations, of which discontinued operations had cash outflows from operating activities of £19m (2005: inflows of £60m; 2004: inflows of £74m), cash outflows from investing activities of £21m (2005: £36m; 2004: £32m) and cash outflows from financing activities of £55m (2005: £42m; 2004: £29m).

Notes and related statements forming part of these accounts appear on pages 80 to 140.

Presentation of accounts and accounting policies

I Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However, the consolidated financial statements for the periods presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The accounts have also been prepared under the historical cost convention as modified by the revaluation of available for sale investments, and financial assets and liabilities that are held for trading.

The accounting policies set out below have been consistently applied to all the periods presented except for those relating to the classification and measurement of financial instruments under IAS 32 'Financial Instruments: Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' and those relating to the treatment of finance leases under IFRIC 4 'Determining whether an Arrangement contains a Lease'.

Corus made use of the exemption available under IFRS 1 'First Time Adoption of International Financial Reporting Standards' to only apply IAS 32 and IAS 39 from 2 January 2005 which principally resulted in:

- (a) The measurement of available for sale investments at fair value (see Note 14).
- (b) The measurement of all derivative financial instruments at fair value (see Note 24).
- (c) The classification of drawings under the securitisation programme as borrowings (see Note 21).
- (d) The classification of non-equity minority interests as borrowings (see Note 21).
- (e) The classification of convertible bonds into separate debt and equity option values (see Note 24).

At 2 January 2005, these changes resulted in increases to net assets of £16m and net debt of £268m.

In addition, an amendment to IAS 39 'Financial guarantee contracts' has been applied from 1 January 2006, but this had no material impact on either the current or prior periods. IFRIC 4 has also been applied from 1 January 2006 and resulted in the recognition of additional finance lease obligations of £145m and additional property, plant and equipment of £142m, thereby reducing net equity at 1 January 2006 by £3m.

Standards and interpretations that are not yet effective and have not been adopted early by the Group are discussed on page 39 of the Review of the period – Accounting policies.

II Use of estimates and critical accounting judgements

The preparation of accounts in accordance with IFRS 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. Critical accounting judgements and the key sources of estimation or uncertainty in applying the Group's accounting policies arise in relation to property, plant and equipment, goodwill, current asset provisions, deferred tax, retirement benefits, provisions created for redundancy, rationalisation and related costs, emission rights and financial derivatives, as discussed in the Review of the period – Accounting policies on pages 39 to 40. The detailed accounting policies, including underlying judgements and methods of estimations for each of these items are discussed below. All of these key factors are considered at least annually.

III Basis of consolidation

The consolidated income statement, balance sheet, statement of recognised income and expense 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 equity method of consolidation. The profits or losses of subsidiaries, joint ventures and associates acquired or sold during the period are included from the date of acquisition or up to the date of their disposal. All intra-group transactions, balances, income and expenses are eliminated on consolidation, including unrealised profits on such transactions.

IV Business combinations

On the acquisition of a subsidiary, joint venture or associate, fair values are attributed to the net assets acquired. Any excess of the fair value of consideration given over the fair values of the Group's share of the identifiable net assets acquired is treated as goodwill. If the fair value of the net assets acquired exceeds the fair value of consideration then these fair values are reassessed before taking the remainder as a credit to profit and loss in the period of acquisition.

Subsequent acquisitions where the Group does not originally hold a 100% interest in a subsidiary are treated as an acquisition of shares from minority shareholders. The identifiable net assets are not subject to further fair value adjustments and the difference between the cost of acquisition of the minority interest and the net book value of the additional proportion of the company acquired is treated as goodwill.

IFRS 3 'Business Combinations' has only been applied by the Group prospectively from 4 January 2004, which was the date of implementation for IFRS, with no restatement of previous business combinations (including the acquisition of Koninklijke Hoogovens NV).

Goodwill is recognised as an asset and, although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator of impairment. Any impairment is recognised immediately in profit and loss and cannot subsequently be reversed. On disposal of a subsidiary, joint venture or associate any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP value, as no adjustment was required on transition. In addition, goodwill written off immediately to reserves under UK GAAP is not subject to re-instatement and is not included in determining any subsequent profit or loss on disposal of the assets to which it related.

V Turnover

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

VI Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. This involves a series of management judgements and estimates that are based on past experience of similar events and third party advice where applicable. Where appropriate and relevant those provisions are discounted to take into consideration the time value of money.

In particular, redundancy provisions are made where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been made at the balance sheet date. These provisions also include charges for any termination costs arising from enhancement of retirement or other post-employment benefits for those employees affected by these plans.

Provisions are also created for long term employee benefits that depend on the length of service, such as long service and sabbatical awards, disability benefits and long term compensated absences such as sick leave. The amount recognised as a liability is the present value of benefit obligations at the balance sheet date, and all movements in the provision (including actuarial gains and losses or past service costs) are recognised immediately within profit and loss.

Corus participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased at cost, and recognises a provision in relation to carbon dioxide quotas if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in a given period. Any surplus is only recognised once it is realised in the form of an external sale.

VII Government grants

Grants related to expenditure on property, plant and equipment are credited to profit and loss over the useful lives of qualifying assets. Total grants received less the amounts credited to profit and loss at the balance sheet date are included in the balance sheet as deferred income.

VIII Insurance

Certain of the Group's insurances are handled by its two captive insurance companies, Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij NV. They both account for all insurance business on an annual basis and the net consolidated result is dealt with as part of the operating costs in these accounts. Insurance premiums in respect of insurance placed with third parties and reinsurance premiums in respect of risks not retained by the Group's captive insurance companies are charged to profit and loss in the period to which they relate.

IX Share-based payments

The Group issues equity settled share-based payments to certain employees. These are measured at fair value at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of actuarial models such as Black Scholes or modified binomial approaches, dependent upon the nature of vesting conditions (in particular, during the period under review, the Group's Leveraged Equity Acquisition Plan awards were linked to Total Shareholder Return (TSR) performance which is a market condition). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period.

In accordance with the transitional provisions available upon the adoption of IFRS, as at 4 January 2004, Corus has only applied the fair value accounting described above to grants of equity instruments made after 7 November 2002 that were unvested at the date of transition to IFRS. No expense is recognised for grants made prior to that date.

Where employees cease contributions into an existing sharesave scheme in order to take up an offer to participate in a new sharesave scheme, then modification accounting is applied. This means the charge for the old awards is continued to be spread over the old vesting period and any incremental charge arising from switching to the new award is spread over the new vesting period.

X Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The Group applies the option available under IAS 19 'Employee Benefits' to recognise all actuarial gains and losses directly within retained earnings; presenting those arising in any one reporting period as part of the relevant statement of recognised income and expense. In applying IAS 19, in relation to retirement benefits costs, the current service cost, interest cost and expected return on plan assets have been treated as a net expense within employment costs.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

XI Financing items

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense, including that related to financing the construction of property, plant and equipment is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

XII Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset to the extent that they relate to taxes levied by the same tax authority and they are in the same taxable entity, or a group of taxable entities where the tax losses of one entity are used to offset the taxable profits of another and there are legally enforceable rights to set off current tax assets and current tax liabilities within that jurisdiction.

XIII Foreign currencies

Functional currency

The individual financial statements of each Group company are reported in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at each balance sheet date. Income statement items and cash flows are translated into sterling at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange transaction risks, the Group enters into forward contracts and options (see note XIV below for details of the Group's accounting policies in respect of such derivative financial instruments).

Exchange differences on the retranslation of the opening net investment in foreign enterprises and the retranslation of profit and loss items from average to closing rate are recorded as movements on reserves. Such cumulative exchange differences are transferred to profit and loss on subsequent disposals of the foreign enterprise and for other substantial reductions in capital in these enterprises during the period. Under IAS 21, cumulative translation differences on the consolidation of subsidiaries are only being accumulated for each individual subsidiary from the date of transition to IFRS, being 4 January 2004, and not from their original acquisition date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

XIV Financial instruments

Up to 1 January 2005

Forward contracts and commodity futures are used by the Group, where appropriate, to hedge the cash flow risk of contracted sales and purchase transactions. Up to 1 January 2005 net sales and purchases covered by these contracts or options were translated into sterling at contract rates. No account was taken of the potential but unrealised profits or losses on open forward contracts or options which were intended as a hedge against future contracted transactions; such profits and losses were accounted for so as to match the exchange or price differences arising on the underlying contracted transactions.

If a derivative instrument ceased to meet the criteria for deferral or settlement accounting, any subsequent gains or losses were recognised at that time in the income statement. If a transaction did not occur, the hedge was terminated and any gains or losses were recognised in profit and loss.

From 2 January 2005

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The detailed accounting treatment for such items can differ, as described in the following sections:

(a) Trade receivables

Trade receivables are initially recorded at their fair value and are subsequently measured at their amortised cost, as reduced by appropriate allowances for any impairment.

(b) Other investments

Other investments include long term financial assets that are initially measured at fair value, including transaction expenses. They are classified as either available for sale or as loans and receivables. For available for sale investments, gains and losses arising from changes in fair values are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition they are measured at amortised cost using the effective interest rate method.

(c) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the terms of the individual contractual arrangements.

(d) Bank borrowings

Interest-bearing bank loans, overdrafts and issued debt are initially recorded at their fair value which is generally the proceeds received, net of direct issue costs. These borrowings are subsequently measured at amortised cost.

(e) Convertible bonds

The Group has raised debt through the issue of convertible bonds. These bonds incorporate two key elements. First, there is the financial liability in respect of the debt element. This is measured at the net present value of future cash flows. Secondly, the bonds allow for conversion to equity at the option of the bond holder, which represents an equity embedded derivative. This embedded derivative is fair valued at each period end with changes in the fair value being taken through profit and loss as a financing item.

The interest expense on the liability component is calculated by applying the prevailing market interest rate at inception for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

On conversion of the bonds the fair value of the embedded derivative is released directly to equity.

(f) Trade payables

Trade payables are initially recorded at fair value and are subsequently measured at their amortised cost.

(g) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(h) Derivative financial instruments and hedge accounting

In the ordinary course of business the Group uses certain derivative financial instruments to reduce business risks which arise

from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts, forward rate agreements, options and LME contracts. The instruments are employed as hedges of transactions included in the accounts or forecast for firm contractual commitments. These contracts do not generally extend beyond 12 months.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent balance sheet date the derivative is remeasured at its current fair value. For forward currency and commodity contracts the fair values are determined based on market forward rates at the balance sheet date. The Group seeks to adopt hedge accounting for these currency and commodity contracts. This means that, at the inception of each hedge there is a formal, documented designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of the risk being hedged. At inception each hedge is expected to be highly effective in achieving an offset of changes in fair value or cash flows attributable to the hedged risk. The methodology of testing the effectiveness and the reliability of this approach for testing is also considered and documented at inception. This effectiveness is assessed on an ongoing basis throughout the life cycle of the hedging relationship. In particular, only forecast transactions that are highly probable are subject to cash flow hedges.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit and loss in the same period in which the hedged item affects profit and loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Certain components, such as terms and conditions, embedded in other financial instruments or other host contracts are accounted for as separate derivatives and carried at fair value. These components are only separately accounted for when their risks and characteristics are not closely related to those of the host contract, the host contract itself is not carried at fair value with gains or losses reported in profit and loss, and where a separate instrument with the same terms as the embedded component would itself meet the definition of a derivative.

The Group has a number of borrowings denominated in foreign currencies, that have been designated as hedges of net investments in foreign enterprises (in particular, the euro borrowings of Corus Group plc are accounted for as a hedge against its investment in Corus Nederland BV). Exchange differences arising on these hedges are recognised directly in equity to the extent the hedge relationships are deemed effective. The ineffective portion is recognised in profit and loss for the period. Cumulative exchange differences arising on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity are transferred to profit and loss on subsequent disposals of the foreign enterprises or other substantial reductions in the capital of these enterprises during the period.

XV Other intangible assets

Patents, trademarks and software are included in the balance sheet as intangible assets where they are clearly linked to long term economic benefits for the Group. In this case they are measured initially at purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks and software are expensed in profit and loss as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on individual development projects are recognised as intangible assets from the date that all of the following conditions are met:

- (i) completion of the development is technically feasible;
- (ii) it is the intention to complete the intangible asset and use or sell it;
- (iii) it is clear that the intangible asset will generate probable future economic benefits;
- (iv) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

Recognition of costs as an asset is stopped when the project is complete and available for its intended use, or if these criteria no longer apply. The approach to amortisation and impairment of other intangible assets is described in XVII.

Where development activities do not meet the conditions for recognition as an asset, any associated expenditure is treated as an expense in the period in which it is incurred.

XVI Property, plant and equipment

Property, plant and equipment is recorded at original cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees, and, for assets constructed by the Group, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Interest attributable to expenditure on assets in the course of construction and amounts incurred in connection with capital projects that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended (which we refer to as 'commissioning costs' and which include expenses such as initial operating losses incurred while technical deficiencies on new plant are rectified and incremental operating costs that are incurred while the new plant is operating at less than full capacity) are written off to profit and loss as incurred. Assets in the course of construction are depreciated from the date on which they are ready for their intended use.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit and loss.

Included in property, plant and equipment 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 impairment provisions are made where necessary to cover slow moving and obsolete items.

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and renewals are charged to profit and loss as incurred.

XVII Depreciation, amortisation and impairment of property, plant and equipment and other intangible assets

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and other intangible assets, including those held under finance leases, to their residual value. These charges are commenced from the dates the assets are available for their intended use and are spread 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 and residual values are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation 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 an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

The estimated useful lives for the main categories of property, plant and equipment and other intangible assets are:

Freehold and long leasehold buildings that 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
IT hardware and software	maximum	8 years
Office equipment and furniture		10 years
Motor vehicles		4 years
Other	maximum	15 years
Patents and trademarks		4 years
Product and process development costs		5 years
Investment property		50 years

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The rate applied in the period of 9.5% was based upon the Group's long term weighted average cost of capital with appropriate adjustments for the risks associated with the relevant units. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

XVIII Leases

The Group determines whether an arrangement contains a lease by assessing whether the fulfilment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to Corus in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for as such.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

XIX Joint ventures and associates

The results and assets and liabilities of joint ventures and associates are incorporated in the accounts using the equity method of accounting, except where classified as held for sale (see note XX).

Investments in joint ventures and associates are initially measured at cost. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired, being goodwill, is included within the carrying value of the joint venture or associate and is subsequently tested for impairment on an annual basis. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets acquired is credited to profit or loss in the period of acquisition. The Group's share of post acquisition profits and losses is recognised in profit and loss, and its share of post acquisition movement in reserves are recognised directly in reserves. Losses of associates in excess of the Group's interest in those associates are not recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with joint ventures or associates are eliminated and, where material, the results of joint ventures and associates are modified to conform to the Group's policies.

XX Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Group must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Where a disposal group represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; then it is treated as a discontinued operation. The post-tax profit or loss of this discontinued operation together with the gain or loss recognised on its disposal are disclosed as a single amount on the face of the income statement, with all prior periods being presented on this basis.

XXI Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is determined using the 'first in, first out' method. Inventories of partly processed materials, finished products and stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories 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 marketing, selling and distribution. Provisions are made to cover slow moving and obsolete items based on historical experience of utilisation on a product category basis, which involves individual businesses considering their local product lines and market conditions.

XXII Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

XXIII Segmental reporting

Corus is organised into a structure that comprises four main operating divisions: Strip Products, Long Products, Distribution & Building Systems and Aluminium. This structure reflects the dominant source and nature of the Group's operational risks and returns and all intra-divisional trading is based on commercial terms. These business divisions are used as the primary format for segmental reporting. Segment assets are operational assets used in normal day-to-day activities. They include attributable goodwill, intangible assets, property, plant and equipment, equity accounted investments, inventories and operational receivables. They do not include cash and short term deposits, short term investments, tax assets and other current financial assets. Segment liabilities are also those resulting from the normal activities of the division, excluding tax liabilities and indebtedness but including post-retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Group as a whole and so are not directly attributable to individual business segments.

Geographical sectors are used as the secondary format for segmental reporting. Those areas separately disclosed represent the Group's most significant regional markets. Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash and short term deposits and short term investments. Segment liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Group as a whole and so are not directly attributable to individual geographical segments.

Notes to the consolidated accounts

1. Segmental analysis

1.1 Operating division analysis

Corus is organised into a structure that comprises four main operating divisions – Strip Products, Long Products, Distribution & Building Systems and Aluminium. Analyses of the operating results and balance sheets for each of these divisions are set out below.

2006 (Figures in £m, unless otherwise stated)	Strip Products	Long Products	Distribution & Building Systems	Aluminium	Central & other	Eliminations	Total
Income statement key data							
Gross turnover	5,366	2,698	3,115	231	98	(1,775)	9,733
Inter-segment sales	(1,044)	(569)	(56)	(19)	(87)	1,775	–
Group turnover	4,322	2,129	3,059	212	11	–	9,733
Depreciation (net of grants released)	(171)	(66)	(17)	–	(5)	–	(259)
Amortisation	(6)	(1)	(1)	–	(2)	–	(10)
Operating profit/(loss) before restructuring, impairment and disposals	353	35	81	(23)	3	–	449
Restructuring and impairment costs:							
Redundancy and related costs	(5)	(9)	(2)	–	–	–	(16)
Impairment losses related to property, plant and equipment	(9)	–	–	–	–	–	(9)
Impairment losses related to intangible assets	–	–	–	–	(3)	–	(3)
Other asset write downs	–	(1)	–	–	–	–	(1)
Other rationalisation costs	(1)	(3)	(2)	–	–	–	(6)
Accelerated release of grants	–	–	–	–	–	–	–
Profit on disposal of property, plant and equipment	14	9	10	–	13	–	46
(Loss)/profit on disposal of group undertakings (Note 40)	(7)	4	–	–	–	–	(3)
Group operating profit/(loss)	345	35	87	(23)	13	–	457
Finance costs	–	–	–	–	(202)	–	(202)
Finance income	–	–	–	–	34	–	34
Share of post-tax profits of joint ventures and associates	13	3	8	–	–	–	24
Taxation	–	–	–	–	(119)	–	(119)
Profit/(loss) after taxation from continuing operations	358	38	95	(23)	(274)	–	194
Profit after taxation from discontinued operations (Note 7)	–	–	–	35	–	–	35
Profit/(loss) after taxation	358	38	95	12	(274)	–	229
Balance sheet key data							
Goodwill	54	–	18	–	–	–	72
Property, plant and equipment	1,813	747	128	10	60	–	2,758
Equity accounted investments	45	13	31	–	–	–	89
Other segment assets	1,875	967	888	226	881	(507)	4,330
Total segment assets	3,787	1,727	1,065	236	941	(507)	7,249
Cash, short term deposits and short term investments	–	–	–	–	831	–	831
Total assets	3,787	1,727	1,065	236	1,772	(507)	8,080
Total segment liabilities	(1,124)	(601)	(580)	(218)	(735)	507	(2,751)
Borrowings	–	–	–	–	(1,395)	–	(1,395)
Total liabilities	(1,124)	(601)	(580)	(218)	(2,130)	507	(4,146)
Net assets/(liabilities)	2,663	1,126	485	18	(358)	–	3,934
Other information (total operations)							
Capital expenditure on property, plant and equipment	241	156	16	26	10	–	449
Capital expenditure on other intangible assets	14	–	1	–	6	–	21
Average number of employees	21,800	11,700	5,700	3,700	1,600	–	44,500

1. Segmental analysis continued

1.1 Operating division analysis continued

2005 (Figures in £m, unless otherwise stated)	Strip Products	Long Products	Distribution & Building Systems	Aluminium	Central & other	Eliminations	Total
Income statement key data							
Gross turnover	5,140	2,679	3,021	98	77	(1,860)	9,155
Inter-segment sales	(1,013)	(714)	(50)	(18)	(65)	1,860	-
Group turnover	4,127	1,965	2,971	80	12	-	9,155
Depreciation (net of grants released)	(172)	(63)	(19)	(4)	(5)	-	(263)
Amortisation	(7)	(1)	(1)	-	(2)	-	(11)
Operating profit/(loss) before restructuring, impairment and disposals	598	106	44	(22)	(53)	-	673
Restructuring and impairment costs:							
Redundancy and related costs	(4)	(17)	(3)	-	2	-	(22)
Impairment (losses)/reversals related to property, plant and equipment	(3)	3	(2)	(29)	(2)	-	(33)
Impairment losses related to intangible assets	-	-	-	-	-	-	-
Other asset write downs	(1)	-	-	-	-	-	(1)
Other rationalisation costs	1	(1)	(6)	-	-	-	(6)
Accelerated release of grants	-	-	-	-	2	-	2
Profit on disposal of property, plant and equipment	16	6	19	-	3	-	44
Loss on disposal of group undertakings	(2)	(8)	(4)	-	-	-	(14)
Group operating profit/(loss)	605	89	48	(51)	(48)	-	643
Finance costs	-	-	-	-	(127)	-	(127)
Finance income	-	-	-	-	31	-	31
Share of post-tax (losses)/profits of joint ventures and associates	(6)	2	5	-	-	-	1
Taxation	-	-	-	-	(116)	-	(116)
Profit/(loss) after taxation from continuing operations	599	91	53	(51)	(260)	-	432
Profit after taxation from discontinued operations (Note 7)	-	-	-	19	-	-	19
Profit/(loss) after taxation	599	91	53	(32)	(260)	-	451
Balance sheet key data							
Goodwill	51	-	18	14	-	-	83
Property, plant and equipment	1,696	615	138	322	49	-	2,820
Equity accounted investments	56	13	26	-	-	-	95
Other segment assets	1,758	911	752	435	737	(520)	4,073
Total segment assets	3,561	1,539	934	771	786	(520)	7,071
Cash, short term deposits and short term investments	-	-	-	-	871	-	871
Total assets	3,561	1,539	934	771	1,657	(520)	7,942
Total segment liabilities	(1,152)	(600)	(495)	(312)	(833)	520	(2,872)
Borrowings	-	-	-	-	(1,692)	-	(1,692)
Total liabilities	(1,152)	(600)	(495)	(312)	(2,525)	520	(4,564)
Net assets/(liabilities)	2,409	939	439	459	(868)	-	3,378
Other information (total operations)							
Capital expenditure on property, plant and equipment	228	115	21	50	9	-	423
Capital expenditure on other intangible assets	14	1	-	-	14	-	29
Average number of employees	22,500	12,800	5,700	5,700	1,500	-	48,200

1. Segmental analysis continued

1.1 Operating division analysis continued

2004 (Figures in £m, unless otherwise stated)	Strip Products	Long Products	Distribution & Building Systems	Aluminium	Central & other	Eliminations	Total
Income statement key data							
Gross turnover	4,724	2,605	2,606	110	67	(1,739)	8,373
Inter-segment sales	(841)	(750)	(72)	(17)	(59)	1,739	–
Group turnover	3,883	1,855	2,534	93	8	–	8,373
Depreciation (net of grants released)	(169)	(61)	(25)	(7)	(5)	–	(267)
Amortisation	(3)	(2)	–	(1)	–	–	(6)
Operating profit/(loss) before restructuring, impairment and disposals	411	162	79	7	(74)	–	585
Restructuring and impairment costs:							
Redundancy and related costs	(8)	(6)	(4)	(1)	(6)	–	(25)
Impairment (losses)/reversals related to property, plant and equipment	(3)	67	(8)	(37)	–	–	19
Impairment losses related to intangible assets	(10)	(9)	–	(3)	–	–	(22)
Other asset write downs	–	(13)	–	–	–	–	(13)
Other rationalisation costs	–	(1)	(4)	–	–	–	(5)
Accelerated release of grants	–	–	–	–	–	–	–
Profit on disposal of property, plant and equipment	27	5	2	–	–	–	34
Profit on disposal of group undertakings	–	43	1	–	–	–	44
Group operating profit/(loss)	417	248	66	(34)	(80)	–	617
Finance costs	–	–	–	–	(123)	–	(123)
Finance income	–	–	–	–	12	–	12
Share of post-tax profits of joint ventures and associates	11	4	6	–	–	–	21
Taxation	–	–	–	–	(119)	–	(119)
Profit/(loss) after taxation from continuing operations	428	252	72	(34)	(310)	–	408
Profit after taxation from discontinued operations (Note 7)	–	–	–	33	–	–	33
Profit/(loss) after taxation	428	252	72	(1)	(310)	–	441
Balance sheet key data							
Goodwill	53	–	18	14	–	–	85
Property, plant and equipment	1,661	600	143	342	47	–	2,793
Equity accounted investments	69	14	25	1	–	–	109
Other segment assets	1,635	903	842	369	466	(511)	3,704
Total segment assets	3,418	1,517	1,028	726	513	(511)	6,691
Cash, short term deposits and short term investments	–	–	–	–	600	–	600
Total assets	3,418	1,517	1,028	726	1,113	(511)	7,291
Total segment liabilities	(1,073)	(572)	(576)	(246)	(835)	511	(2,791)
Borrowings	–	–	–	–	(1,442)	–	(1,442)
Total liabilities	(1,073)	(572)	(576)	(246)	(2,277)	511	(4,233)
Net assets/(liabilities)	2,345	945	452	480	(1,164)	–	3,058
Other information (total operations)							
Capital expenditure on property, plant and equipment	210	106	14	43	2	–	375
Capital expenditure on other intangible assets	6	–	1	1	8	–	16
Average number of employees	22,500	13,300	5,800	5,700	1,300	–	48,600

1. Segmental analysis continued

1.2 Geographical analysis

Analyses of the operating results and balance sheets by geographical sectors, representing Corus' most significant regional markets, are set out below.

2006 (Figures in £m, unless otherwise stated)	UK	EU (excl UK)	Europe (excl EU)	North America	Asia	Rest of World	Net debt	Eliminations	Total
Income statement key data									
By destination:									
Group turnover	2,780	4,777	323	740	700	413	–	–	9,733
By location of Group entity:									
Gross turnover	5,310	4,225	150	446	423	30	–	(851)	9,733
Inter-segment sales	(544)	(292)	(14)	(1)	–	–	–	851	–
Group turnover	4,766	3,933	136	445	423	30	–	–	9,733
Included above:									
Exports from the United Kingdom	2,432	–	–	–	–	–	–	–	2,432
Depreciation (net of grants released)	(155)	(91)	(3)	(9)	(1)	–	–	–	(259)
Amortisation	(5)	(5)	–	–	–	–	–	–	(10)
Operating profit before restructuring, impairment and disposals	33	384	–	17	14	1	–	–	449
Restructuring and impairment costs:									
Redundancy and related costs	(11)	(5)	–	–	–	–	–	–	(16)
Impairment losses related to property, plant and equipment	–	(9)	–	–	–	–	–	–	(9)
Impairment losses related to intangible assets	(3)	–	–	–	–	–	–	–	(3)
Other asset write downs	(1)	–	–	–	–	–	–	–	(1)
Other rationalisation costs	(5)	(1)	–	–	–	–	–	–	(6)
Accelerated release of grants	–	–	–	–	–	–	–	–	–
Profit on disposal of property, plant and equipment	45	1	–	–	–	–	–	–	46
Loss on disposal of group undertakings (Note 40)	–	(3)	–	–	–	–	–	–	(3)
Group operating profit	58	367	–	17	14	1	–	–	457
Share of post-tax profits of joint ventures and associates	3	13	8	–	–	–	–	–	24
Profit/(loss) after taxation from discontinued operations (Note 7)	–	35	–	1	(1)	–	–	–	35
Balance sheet key data									
Goodwill	–	72	–	–	–	–	–	–	72
Property, plant and equipment	1,562	1,134	21	36	4	1	–	–	2,758
Equity accounted investments	26	46	16	–	1	–	–	–	89
Other segment assets	2,588	1,754	54	125	79	23	–	(293)	4,330
Total segment assets	4,176	3,006	91	161	84	24	–	(293)	7,249
Cash, short term deposits and short term investments	–	–	–	–	–	–	831	–	831
Total assets	4,176	3,006	91	161	84	24	831	(293)	8,080
Total segment liabilities	(1,490)	(1,338)	(32)	(121)	(52)	(11)	–	293	(2,751)
Borrowings	–	–	–	–	–	–	(1,395)	–	(1,395)
Total liabilities	(1,490)	(1,338)	(32)	(121)	(52)	(11)	(1,395)	293	(4,146)
Net assets/(liabilities)	2,686	1,668	59	40	32	13	(564)	–	3,934
Other information (total operations)									
Capital expenditure on property, plant and equipment	211	229	3	5	1	–	–	–	449
Capital expenditure on other intangible assets	9	12	–	–	–	–	–	–	21
Average number of employees	23,800	18,500	600	1,200	300	100	–	–	44,500

1. Segmental analysis continued

1.2 Geographical analysis continued

2005

(Figures in £m, unless otherwise stated)

	UK	EU (excl UK)	Europe (excl EU)	North America	Asia	Rest of World	Net debt	Eliminations	Total
Income statement key data									
By destination:									
Group turnover	2,653	4,422	379	660	778	263	-	-	9,155
By location of Group entity:									
Gross turnover	5,155	4,007	150	325	470	26	-	(978)	9,155
Inter-segment sales	(652)	(311)	(15)	-	-	-	-	978	-
Group turnover	4,503	3,696	135	325	470	26	-	-	9,155
Included above:									
Exports from the United Kingdom	2,356	-	-	-	-	-	-	-	2,356
Depreciation (net of grants released)	(146)	(106)	(3)	(7)	(1)	-	-	-	(263)
Amortisation	(8)	(3)	-	-	-	-	-	-	(11)
Operating profit before restructuring, impairment and disposals	188	452	7	11	11	4	-	-	673
Restructuring and impairment costs:									
Redundancy and related costs	(21)	(1)	-	-	-	-	-	-	(22)
Impairment losses related to property, plant and equipment	(2)	(31)	-	-	-	-	-	-	(33)
Impairment losses related to intangible assets	-	-	-	-	-	-	-	-	-
Other asset write downs	-	(1)	-	-	-	-	-	-	(1)
Other rationalisation costs	(6)	-	-	-	-	-	-	-	(6)
Accelerated release of grants	2	-	-	-	-	-	-	-	2
Profit on disposal of property, plant and equipment	41	3	-	-	-	-	-	-	44
(Loss)/profit on disposal of group undertakings	-	(15)	-	1	-	-	-	-	(14)
Group operating profit	202	407	7	12	11	4	-	-	643
Share of post-tax profits/(losses) of joint ventures and associates	2	(6)	5	-	-	-	-	-	1
Profit/(loss) after taxation from discontinued operations (Note 7)	-	20	-	(1)	-	-	-	-	19

Balance sheet key data

Goodwill	-	83	-	-	-	-	-	-	83
Property, plant and equipment	1,395	1,287	22	108	7	1	-	-	2,820
Equity accounted investments	27	54	13	-	1	-	-	-	95
Other segment assets	2,147	1,898	58	209	60	15	-	(314)	4,073
Total segment assets	3,569	3,322	93	317	68	16	-	(314)	7,071
Cash, short term deposits and short term investments	-	-	-	-	-	-	871	-	871
Total assets	3,569	3,322	93	317	68	16	871	(314)	7,942
Total segment liabilities	(1,526)	(1,394)	(35)	(175)	(51)	(5)	-	314	(2,872)
Borrowings	-	-	-	-	-	-	(1,692)	-	(1,692)
Total liabilities	(1,526)	(1,394)	(35)	(175)	(51)	(5)	(1,692)	314	(4,564)
Net assets/(liabilities)	2,043	1,928	58	142	17	11	(821)	-	3,378

Other information (total operations)

Capital expenditure on property, plant and equipment	218	193	2	9	1	-	-	-	423
Capital expenditure on other intangible assets	22	7	-	-	-	-	-	-	29
Average number of employees	24,300	21,500	500	1,500	300	100	-	-	48,200

1. Segmental analysis continued

1.2 Geographical analysis continued

2004

(Figures in £m, unless otherwise stated)

	UK	EU (excl UK)	Europe (excl EU)	North America	Asia	Rest of World	Net debt	Eliminations	Total
Income statement key data									
By destination:									
Group turnover	2,544	4,051	314	744	523	197	–	–	8,373
By location of Group entity:									
Gross turnover	4,547	3,725	139	402	327	25	–	(792)	8,373
Inter-segment sales	(559)	(223)	(10)	–	–	–	–	792	–
Group turnover	3,988	3,502	129	402	327	25	–	–	8,373
Included above:									
Exports from the United Kingdom	1,881	–	–	–	–	–	–	–	1,881
Depreciation (net of grants released)	(133)	(121)	(4)	(8)	(1)	–	–	–	(267)
Amortisation	(2)	(3)	–	(1)	–	–	–	–	(6)
Operating profit before restructuring, impairment and disposals	94	431	7	43	8	2	–	–	585
Restructuring and impairment costs:									
Redundancy and related costs	(18)	(6)	–	(1)	–	–	–	–	(25)
Impairment reversals/(losses) related to property, plant and equipment	58	(38)	–	(1)	–	–	–	–	19
Impairment losses related to intangible assets	–	(22)	–	–	–	–	–	–	(22)
Other asset write downs	(13)	–	–	–	–	–	–	–	(13)
Other rationalisation costs	(2)	(3)	–	–	–	–	–	–	(5)
Accelerated release of grants	–	–	–	–	–	–	–	–	–
Profit on disposal of property, plant and equipment	34	–	–	–	–	–	–	–	34
Profit on disposal of group undertakings	25	–	–	19	–	–	–	–	44
Group operating profit	178	362	7	60	8	2	–	–	617
Share of post-tax profits of joint ventures and associates	4	12	5	–	–	–	–	–	21
Profit after taxation from discontinued operations (Note 7)	–	33	–	–	–	–	–	–	33

Balance sheet key data

Goodwill	–	85	–	–	–	–	–	–	85
Property, plant and equipment	1,323	1,329	32	103	5	1	–	–	2,793
Equity accounted investments	28	67	12	–	2	–	–	–	109
Other segment assets	1,975	1,816	36	159	55	16	–	(353)	3,704
Total segment assets	3,326	3,297	80	262	62	17	–	(353)	6,691
Cash, short term deposits and short term investments	–	–	–	–	–	–	600	–	600
Total assets	3,326	3,297	80	262	62	17	600	(353)	7,291
Total segment liabilities	(1,430)	(1,455)	(37)	(159)	(56)	(7)	–	353	(2,791)
Borrowings	–	–	–	–	–	–	(1,442)	–	(1,442)
Total liabilities	(1,430)	(1,455)	(37)	(159)	(56)	(7)	(1,442)	353	(4,233)
Net assets/(liabilities)	1,896	1,842	43	103	6	10	(842)	–	3,058

Other information (total operations)

Capital expenditure on property, plant and equipment	250	118	2	4	1	–	–	–	375
Capital expenditure on other intangible assets	10	6	–	–	–	–	–	–	16
Average number of employees	24,500	21,400	500	1,800	300	100	–	–	48,600

2. Operating costs – continuing operations

	2006 £m	2005 £m	2004 £m
Costs by type:			
Raw materials and consumables	4,721	4,010	3,635
Maintenance costs (excluding own labour)	793	771	770
Other external charges (including fuels and utilities, hire charges and carriage costs)	1,554	1,453	1,278
Employment costs (Note 4)	1,499	1,658	1,611
Depreciation and amortisation	286	312	282
Regional development and other grants released	(5)	(7)	(6)
Other operating costs (including rents, rates, insurance and general expenses)	562	515	491
Changes in inventory of finished goods and work in progress	(67)	(144)	(208)
Own work capitalised	(24)	(26)	(19)
Profit on disposal of property, plant and equipment	(46)	(44)	(34)
Loss/(profit) on disposal of group undertakings	3	14	(44)
	9,276	8,512	7,756

	Operating costs before restructuring, impairment and disposals £m	Restructuring, impairment and disposals £m	Total £m
The above costs in the 12 months to 30 December 2006 include:			
Raw materials and consumables	4,721	–	4,721
Maintenance costs (excluding own labour)	793	–	793
Other external charges (including fuels and utilities, hire charges and carriage costs)	1,554	–	1,554
Employment costs (Note 4)	1,483	16	1,499
Depreciation and amortisation	274	12	286
Regional development and other grants released	(5)	–	(5)
Other operating costs (including rents, rates, insurance and general expenses)	555	7	562
Changes in inventory of finished goods and work in progress	(67)	–	(67)
Own work capitalised	(24)	–	(24)
Profit on disposal of property, plant and equipment	–	(46)	(46)
Loss on disposal of group undertakings	–	3	3
	9,284	(8)	9,276

Further analysis of restructuring and impairment costs is presented in Note 3.

	2006 £m	2005 £m	2004 £m
The above costs are stated after including:			
Amortisation of other intangible assets	10	11	6
Impairment losses related to intangible assets (Note 3)	3	–	22
Depreciation of owned assets	237	268	272
Net impairment losses/(reversals) related to owned assets (Note 3)	9	33	(19)
Depreciation of assets held under finance leases	27	–	1
Operating leases:			
Plant and machinery	56	50	47
Leasehold property	32	31	32
Costs of research and development (gross)	79	75	71
Recoveries on research and development	(9)	(9)	(6)
Impairments against trade receivables	1	5	11
Costs of renegotiating the syndicated bank facility	1	7	–
Settlement of outstanding legal claim	–	(16)	–
Pension credit relating to one-off scheme and benefit framework changes	(96)	–	–
Transaction costs	77	–	–

Transaction costs relate to the Group's acquisition by Tata Steel and include a provision for the inducement fee payable to Companhia Siderúrgica Nacional.

2. Operating costs – continuing operations continued

Remuneration of Group's auditors – total operations

	2006 £'000	2005 £'000	2004 £'000
Fees payable to Corus Group plc's auditors for the audit of the parent company and consolidation of the Group	540	540	505
Statutory audit fees payable to associate members of the Group auditors	2,065	2,515	2,635
	2,605	3,055	3,140
Other fees in respect of services required by legislation (i)	2,900	1,585	142
Tax services (ii)	848	786	866
Services related to corporate acquisition and disposal transactions	890	198	933
Other services (iii)	297	1,141	624
	7,540	6,765	5,705

- (i) Other fees in respect of services required by legislation contains fees in relation to the work performed in connection with the Group's planned compliance with the requirements of the US Sarbanes-Oxley Act.
- (ii) Tax services include fees billed for corporate tax compliance services, tax advisory services and expatriate tax compliance and advisory services.
- (iii) Other services relate to reviews of the quarterly and interim announcements and other one-off projects. In 2005 this includes work on the Group's adoption of IFRS.

The Audit committee has reviewed and approved a policy for the control and monitoring of audit and non-audit work by the auditor, so as to safeguard auditor objectivity and independence. This policy defines prohibited services that cannot be provided by the auditor and permitted services that can be provided.

The Audit committee has pre-approved permitted services. The relevant categories being audit services and audit related/assurance services, and tax services and other services that do not compromise the independence of the audit role. The approval process requires details of the scope of the service to be performed and the fee structure. Prior to engagement the Audit committee must approve activities that are not pre-approved and actual fees incurred are included in statements on fees provided to the Audit committee at specified intervals.

During 2006, 100% of all fees (including audit fees, audit related fees and tax fees) provided to Corus by PricewaterhouseCoopers LLP were approved by the Audit committee. There were no services pursuant to the de minimis exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Further details on the Group's policy for the appointment of external auditors for non-audit services is provided in the Audit committee section of the Directors' report on page 49.

3. Restructuring and impairment costs – continuing operations

	2006 £m	2005 £m	2004 £m
Provision for restructuring and related measures:			
Redundancy and related costs	16	26	29
Impairment losses related to property, plant and equipment	9	37	59
Impairment losses related to intangible assets	3	–	22
Other asset write downs	1	1	13
Other rationalisation costs	11	17	9
	40	81	132
Credits for restructuring and related measures:			
Redundancy and related costs	–	(4)	(4)
Impairment reversals related to property, plant and equipment	–	(4)	(78)
Accelerated release of grants	–	(2)	–
Other rationalisation costs	(5)	(11)	(4)
	(5)	(21)	(86)
	35	60	46

4. Employees – continuing operations

	2006 £m	2005 £m	2004 £m
The total employment costs of all employees (including directors) in the Group were:			
Wages and salaries	1,375	1,399	1,359
Social security costs	149	148	134
Other pension costs	(41)	89	93
Redundancy and related costs (Note 3)	16	22	25
	1,499	1,658	1,611

- (i) Related average employee numbers are presented in Note 1.
- (ii) Included within wages and salaries above is an expense arising from share-based payment transactions of £17m (2005: £12m; 2004: £4m). In arriving at this expense, the fair value of employee option awards under the Group's Sharesave schemes (see Note 29) has been estimated using the Black Scholes option pricing model with the following weighted average assumptions being used:

	2006 Awards	2005 Awards	2004 Awards
Risk free interest rate	n/a	4.3%	4.6%
Expected volatility	n/a	37%	46%
Dividend yield	n/a	4.45%	4.45%
Weighted average fair values of options granted in the period (restated for the impact of the share consolidation described in Note 29)	n/a	£0.85	£0.80

The fair value of awards from the Leveraged Equity Acquisition Plan (see Note 29) have been estimated using a binomial model which incorporates the impact of the TSR performance condition, including the dependency between the number of awards vesting (equivalent to the Company's TSR against its comparator group) and the share price at the date of granting. The following assumptions were used:

	2006 Awards	2005 Awards	2004 Awards
Risk free interest rate	4.6%	4.4%	4.8%
Expected volatility	38%	38%	53%
Expected correlation between each pair of shares in the comparator group	12.0%	11.4%	11.1%
Dividend yield	4.45%	4.45%	4.45%
Weighted average fair values of options granted in the period (restated for the impact of the share consolidation described in Note 29)	£7.03	£2.25	£2.30

Expected volatility has been calculated using historical data from the previous three years over a term of increasing length ending on the date of each grant. Further details of each of the employee share plans in place are given in Note 29 and, where applicable, in the Report on remuneration.

5. Financing items – continuing operations

	2006 £m	2005 £m	2004 £m
Interest expense:			
Bank and other borrowings	(85)	(115)	(111)
Accretion of convertible bonds	(7)	(7)	–
Finance leases	(11)	(1)	(1)
Fair value losses – convertible bond equity options	(12)	(4)	–
Charges arising on redemption of 5.375% Eurobond 2006	–	–	(11)
Charges arising on redemption of 11.5% Debenture stock 2016	(87)	–	–
Finance costs	(202)	(127)	(123)
Interest income:			
Cash and short term deposits and short term investments	29	31	12
Profit on disposal of listed investments	5	–	–
Finance income	34	31	12
	(168)	(96)	(111)

On 1 February 2006 Corus Finance plc, a subsidiary of Corus Group plc, announced an invitation to sell and consent solicitation in respect of its £150m Debenture stock due 2016, subject to the terms and conditions set out in the Invitation Memorandum dated on the same day. On 3 March 2006, Corus completed the early repayment, which was made to improve the efficiency of the balance sheet. The premium payable on this early repayment has been charged to profit and loss for the period. Charges on the redemption of the bond also include a loss of £2m on an interest rate swap taken out to hedge against movements in interest rates between the offer date and the date of completion of redemption.

6. Taxation – continuing operations

	2006 £m	2005 £m	2004 £m
UK corporation tax	–	–	–
UK prior year credit	(2)	(2)	–
Overseas prior year charge/(credit)	1	(3)	(1)
Overseas taxes	81	129	91
Current tax	80	124	90
UK deferred tax	7	15	13
Overseas deferred tax	32	(23)	16
	119	116	119

On 28 November 2006, the Dutch Parliament enacted a reduction in the corporation tax rate within the Netherlands from 29.6% to 25.5% as of 1 January 2007. Deferred tax liabilities for this fiscal region have been re-assessed to the prevailing rate at which the timing differences are expected to reverse. The deferred tax charge for the year includes a credit of £17m for the effect of this rate change.

In addition to the total taxation charged to profit and loss, a deferred tax credit of £29m (2005: £24m; 2004: £19m) has been recognised directly in equity during the year.

The total charge for the year can be reconciled to the accounting profit as follows:

	2006 £m	2005 £m	2004 £m
Profit before taxation	313	548	527
Profit multiplied by the applicable corporation tax rate of 29.6% (2005: 30.8%; 2004: 34.3%)	93	169	181
Effects of:			
Adjustments to current tax in respect of prior periods	(1)	(5)	(1)
Adjustments to deferred tax in respect of prior periods	14	28	(5)
Adjustments to deferred tax in respect of changes in tax rates	(17)	(5)	(16)
Share of results of joint ventures and associates	(7)	(1)	(8)
Utilisation of tax losses not previously recognised	(9)	(73)	(40)
Tax losses not recognised	30	–	10
Other permanent differences	16	3	(2)
	119	116	119

The applicable corporation tax rate is the average tax rate weighted in proportion to the accounting profits earned in each geographical area. The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries, and reductions in the Dutch statutory tax rate.

7. Discontinued operations

On 1 August 2006 Corus completed the sale of its downstream Aluminium rolled products and extrusions businesses to Aleris International Inc. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these businesses have been classified as discontinued operations. The results of these operations in each of the periods presented are set out below:

	2006 £m	2005 £m	2004 £m
Turnover (i)	687	985	959
Total operating costs (ii)	(652)	(948)	(914)
Operating profit	35	37	45
Finance costs (iv)	(2)	(5)	(6)
Finance income (iv)	-	-	1
Profit before taxation	33	32	40
Taxation (v)	(7)	(13)	(7)
Profit after taxation	26	19	33
Gain on disposal of discontinued operations (Note 40)	9	-	-
Profit after taxation from discontinued operations	35	19	33

Whilst net finance costs and taxation are managed centrally on behalf of Corus as a whole, amounts have been included as attributable to the discontinued operations above, on a reasonable and consistent basis, for the purposes of the presentation required by IFRS 5.

- (i) Turnover for the periods above is stated net of trading to continuing operations of the Group and arose to the following destinations:

	2006 £m	2005 £m	2004 £m
United Kingdom	35	53	70
European Union (excluding UK)	431	596	594
Europe (excluding EU)	12	21	24
North America	137	210	179
Asia	60	85	71
Rest of World	12	20	21
	687	985	959

- (ii) Total operating costs

	2006 £m	2005 £m	2004 £m
Cost by type:			
Raw materials and consumables	434	574	543
Maintenance costs (excluding own labour)	16	33	38
Other external charges (including fuels and utilities, hire charges, and carriage costs)	46	75	65
Employment costs	116	186	178
Depreciation and amortisation	10	38	30
Other operating costs (including rents, rates, insurance and general expenses)	32	42	65
Changes in inventory of finished goods and work in progress	(2)	-	(5)
	652	948	914

The above costs are stated after including:

Amortisation of other intangible assets	-	1	1
Depreciation of owned assets	10	31	29
Impairment losses related to owned assets	-	5	-
Depreciation of assets held under finance leases	-	1	-
Operating leases:			
Plant and machinery	2	9	7
Leasehold property	1	2	2
Impairments against trade receivables	1	-	-

7. Discontinued operations continued

(iii) Employees

	2006 £m	2005 £m	2004 £m
The total employment costs were:			
Wages and salaries	91	145	142
Social security costs	22	32	31
Other pension costs	3	4	4
Redundancy and related costs	–	5	1
	116	186	178

(iv) Financing items

	2006 £m	2005 £m	2004 £m
Interest expense:			
Bank and other borrowings	(2)	(5)	(6)
Finance costs	(2)	(5)	(6)
Interest income:			
Cash and short term deposits and short term investments	–	–	1
Finance income	–	–	1
	(2)	(5)	(5)

(v) Taxation

	2006 £m	2005 £m	2004 £m
Overseas taxes	7	8	15
Overseas deferred tax	–	5	(8)
	7	13	7

8. Dividends

	2006 £m	2005 £m	2004 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend of 2.75p (2005 restated: 2.50p; 2004: nil) per ordinary share	24	22	–
Final dividend of 5.00p per ordinary share	45	–	–
	69	22	–
Proposed final dividend of nil (2005 restated: 5.00p; 2004: nil) per ordinary share	–	45	–

The 2005 interim and final dividends have been restated to show the equivalent dividends payable following the impact of the share consolidation on the number of shares in issue.

9. Earnings per ordinary share

The earnings per ordinary share has been calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As required by IAS 33 'Earnings per Share', the weighted average number of shares used to calculate the basic and diluted earnings per share has been restated for 2005 and 2004. This is to reflect the share consolidation approved at the AGM on 9 May 2006 resulting in 1 new ordinary share of 50p being issued for every 5 existing ordinary shares of 10p. Further details of the share consolidation are set out on page 119.

	2006 No.m	Restated 2005 No.m	Restated 2004 No.m
Weighted average number of ordinary shares in issue during the period and used to calculate:			
Basic earnings per ordinary share	895	889	888
Dilutive effects of share options	13	–	–
Conditional share awards	15	8	5
Dilutive effects of convertible debentures (Note 29)	19	66	66
Diluted earnings per ordinary share	942	963	959
	2006 £m	2005 £m	2004 £m
Profit attributable to equity holders of the parent during the period and used to calculate:			
Basic earnings per ordinary share	223	452	447
Finance costs of convertible debentures	6	21	9
Taxation effect of the dilutions	(2)	(4)	(4)
Diluted earnings per ordinary share	227	469	452

For the period ended 30 December 2006, 47m shares have been excluded from the calculation of diluted earnings per share as they are anti-dilutive.

Under IAS 33 Corus is also required to disclose the earnings per share figures attributable to discontinued operations. The split of earnings used to calculate this ratio and the resulting earnings per share figures are shown below.

	2006 £m	2005 £m	2004 £m
Earnings used to calculate basic earnings per share may be analysed as follows:			
Continuing operations	188	428	412
Discontinued operations	35	24	35
Earnings used to calculate diluted earnings per share may be analysed as follows:			
Continuing operations	192	445	417
Discontinued operations	35	24	35

- (i) 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 ordinary shares in the Company, and therefore these ordinary shares are not included in the calculation of earnings per ordinary share.
- (ii) As per Note 29, the share capital of the Company includes 3,130m deferred shares of 40p each. These deferred shares do not carry any voting rights, dividend rights or rights on a return of capital, thereby rendering them effectively worthless and on this basis the deferred shares are not included within the earnings per ordinary share calculation above.

10. Goodwill

	2006 £m	2005 £m
Cost at beginning of period	170	172
Additions (Note 39)	4	–
Disposal of group undertakings (Note 40)	(62)	–
Exchange rate movements	(2)	(2)
Cost at end of period	110	170
Impairment losses at beginning of period	87	87
Disposal of group undertakings (Note 40)	(48)	–
Exchange rate movements	(1)	–
Impairment losses at end of period	38	87
Net book value at end of period	72	83

Goodwill acquired in a business combination is initially allocated, at acquisition, to each of Corus' divisions and then, if relevant, down to the next level of cash generating units that are expected to benefit from the synergies of that combination. The Group then tests goodwill annually for impairment, or more frequently if there are any indications that goodwill may be impaired. The recoverable amount of goodwill is determined from value in use calculations. These calculations use cash flow forecasts based on the most recent approved financial budgets, which cover a period of three years, and future projections. Key assumptions for the value in use calculations are those regarding expected changes to selling prices and direct costs during the period, as well as market growth rates and discount rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. A nil growth rate is used to extrapolate the cash flow projections beyond the three-year period of the financial budgets and discount rates reflect current market assessments of the time value of money. The carrying value of goodwill allocated to each division is disclosed in Note 1. Of the total carrying amount of goodwill, the most significant amount relates to the goodwill that arose on the acquisition of Corus Nederland BV, which has a carrying value at 30 December 2006 of £50m.

11. Other intangible assets

	Computer software £m	Development costs £m	Patents and trademarks £m	Total £m
2006				
Cost at beginning of period	79	4	11	94
Additions	15	6	–	21
Disposal of group undertakings (Note 40)	(7)	–	(4)	(11)
Exchange rate movements	(2)	–	–	(2)
Cost at end of period	85	10	7	102
Amortisation at beginning of period	29	1	8	38
Charge for the period	9	1	–	10
Impairment losses recognised during the period	3	–	–	3
Disposal of group undertakings (Note 40)	(5)	–	(1)	(6)
Exchange rate movements	–	–	(1)	(1)
Amortisation at end of period	36	2	6	44
Net book value at end of period	49	8	1	58
2005				
Cost at beginning of period	53	1	11	65
Additions	26	3	–	29
Cost at end of period	79	4	11	94
Amortisation at beginning of period	19	–	7	26
Charge for the period	10	1	1	12
Amortisation at end of period	29	1	8	38
Net book value at end of period	50	3	3	56

12. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in course of construction £m	Total £m
2006				
Cost at beginning of period	1,034	6,811	385	8,230
Adoption of IFRIC 4 (see Presentation of accounts and accounting policies Note I)	–	157	–	157
Additions	3	121	325	449
Disposals	(23)	(97)	–	(120)
Disposal of group undertakings (Note 40)	(108)	(410)	(33)	(551)
Exchange rate movements	(9)	(47)	(5)	(61)
Transfers and other movements	6	279	(285)	–
Cost at end of period	903	6,814	387	8,104
Depreciation at beginning of period	646	4,989	–	5,635
Adoption of IFRIC 4 (see Presentation of accounts and accounting policies Note I)	–	15	–	15
Charge for the period	20	254	–	274
Impairment losses recognised during the period	7	2	–	9
Disposals	(14)	(95)	–	(109)
Disposal of group undertakings (Note 40)	(24)	(190)	–	(214)
Exchange rate movements	(3)	(23)	–	(26)
Depreciation at end of period	632	4,952	–	5,584
Net book value at end of period	271	1,862	387	2,520
Loose plant, tools and spares (net book value)				238
				2,758
2005				
Cost at beginning of period	1,092	6,939	392	8,423
Additions	9	125	289	423
Disposals	(62)	(466)	–	(528)
Exchange rate movements	(10)	(26)	(4)	(40)
Transfers and other movements	13	279	(292)	–
Reclassified as held for sale	(8)	(40)	–	(48)
Cost at end of period	1,034	6,811	385	8,230
Depreciation at beginning of period	666	5,188	–	5,854
Charge for the period	30	270	–	300
Impairment losses recognised during the period	1	41	–	42
Impairment losses reversed during the period	–	(4)	–	(4)
Disposals	(43)	(453)	–	(496)
Exchange rate movements	(3)	(13)	–	(16)
Reclassified as held for sale	(5)	(40)	–	(45)
Depreciation at end of period	646	4,989	–	5,635
Net book value at end of period	388	1,822	385	2,595
Loose plant, tools and spares (net book value)				225
				2,820

12. Property, plant and equipment continued

- (i) Included above are fully depreciated assets with an original cost of £2,081m (2005: £1,821m) which are still in use. In addition, there are fully depreciated assets with an original cost of £223m (2005: £241m) which are permanently out of use and pending preparations for disposal, demolition or reapplication elsewhere within the Group. Property, plant and equipment that meet the criteria of assets held for sale as described in the Presentation of accounts and accounting policies Note XX are classified as current assets within Note 19.

	2006 £m	2005 £m
(ii) The net book value of land and buildings comprises:		
Freehold	246	361
Long leasehold (over 50 years unexpired)	13	15
Short leasehold	12	12
	271	388
Which may be further analysed as:		
Assets held under finance leases:		
Cost	36	37
Accumulated depreciation	(8)	(7)
	28	30
Owned assets	243	358
	271	388
(iii) The net book value of plant and machinery comprises:		
Assets held under finance leases (including the impact of adoption of IFRIC 4 from 1 January 2006):		
Cost	190	32
Accumulated depreciation	(68)	(28)
	122	4
Owned assets	1,740	1,818
	1,862	1,822
(iv) The net book value of loose plant, tools and spares comprises:		
Cost	551	554
Accumulated depreciation and impairment losses	(313)	(329)
	238	225

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 property, plant and equipment.

13. Equity accounted investments

	Interests in joint ventures £m	Investments in associates £m	2006 Total £m	2005 Total £m
Cost at beginning of period	66	7	73	84
Additions and transfers	–	–	–	1
Disposals	(21)	–	(21)	(10)
Exchange rate movements	–	–	–	(2)
Cost at end of period	45	7	52	73
Share of post acquisition reserves at beginning of period	20	3	23	26
Share of results in period retained	5	2	7	(8)
Disposals	8	–	8	5
Share of post acquisition reserves at end of period	33	5	38	23
Provisions at beginning and end of period	1	–	1	1
Net book value at end of period	77	12	89	95
Net book value at beginning of period	85	10	95	109

(i) The Group's main equity accounted investments are listed in Note 43.

(ii) Summarised information in respect of the Group's joint ventures is presented below:

	2006 £m	2005 £m
Share of the assets and liabilities of the Group's joint ventures:		
Non-current assets	58	59
Current assets	137	166
Current liabilities	(97)	(131)
Non-current liabilities	(21)	(9)
Group's share of net assets	77	85
Share of the revenue and expenses of the Group's joint ventures:		
Revenue	512	486
Expenses	(494)	(486)
Group's share of joint ventures' profit for the period	18	–
Dividends received	(13)	(9)
Group's share of retained profit/(loss) for the period	5	(9)

(iii) Summarised information in respect of the Group's associates is presented below:

	2006 £m	2005 £m
Summarised balance sheet information:		
Total assets	99	77
Total liabilities	(65)	(49)
Net assets	34	28
Group's share of net assets	12	10
Summarised income statement information:		
Revenue	129	131
Profit for the period	8	2
Group's share of retained profit for the period	2	1

13. Equity accounted investments continued

(iv) The share of post-tax profits of joint ventures and associates as disclosed in the income statement arose as follows:

	2006 £m	2005 £m	2004 £m
Group's share of joint ventures' profit for the period	18	–	18
Group's share of associates profit for the period	2	1	3
	20	1	21
Profit on disposal of investment in joint venture	4	–	–
	24	1	21

On 31 August 2006 Corus completed the sale to Companhia Siderúrgica Nacional of its 50% share in Lusosider Projectos Siderúrgicos S.A., a Portuguese company producing pickled hot rolled, cold rolled, hot-dip galvanised and tinplate steel, for a consideration of €25m (approximately £17m).

14. Other investments

	Loans and receivables £m	Available for sale investments £m	2006 Total £m	2005 Total £m
Carrying value at beginning of period	8	105	113	66
Additions	–	2	2	43
Disposals	(1)	(52)	(53)	(3)
Revaluations	–	–	–	7
Carrying value at end of period	7	55	62	113

(i) The currency and interest exposure of other investments of the Group is as follows:

	2006				2005			
	Fixed rate long term financial assets £m	Floating rate long term financial assets £m	Zero rate long term financial assets £m	Total £m	Fixed rate long term financial assets £m	Floating rate long term financial assets £m	Zero rate long term financial assets £m	Total £m
Sterling	15	3	2	20	34	17	–	51
Euros	16	1	3	20	33	2	3	38
US Dollars	11	1	–	12	5	2	–	7
Other	10	–	–	10	17	–	–	17
	52	5	5	62	89	21	3	113
Disclosed as:								
Loans and receivables	1	3	3	7	1	4	3	8
Available for sale investments	51	2	2	55	88	17	–	105

	2006		2005	
	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	4.7	3.7	4.5	2.2
Euros	3.9	11.1	4.6	10.2
US Dollars	3.6	5.3	4.7	15.3
Other	2.0	10.2	3.1	10.4

14. Other investments continued

(ii) Contractual maturities of other investments are as follows:

	2006 £m	2005 £m
Within one year	8	20
Between two and five years	18	29
Greater than five years	28	38
No contractual maturity date	8	26
	62	113

(iii) Of the available for sale investments of £55m above, the majority are held by Crucible Insurance Company Limited and Hoogovens Verzekeringsmaatschappij NV to fund insurance liabilities of the Group. Their total investments arise as follows:

	2006 £m	2005 £m
UK listed investments	8	28
Overseas listed investments	37	55
Other investments	6	1
	51	84

15. Inventories

	2006 £m	2005 £m
Raw materials and consumables	763	729
Work in progress	466	564
Finished goods and goods for resale	661	661
	1,890	1,954

The value of inventories above is stated after impairment for obsolescence and write downs to net realisable value of £87m (2005: £74m).

16. Current tax

	Assets £m	Liabilities £m
2006		
UK corporation tax	1	–
Overseas taxation	6	(89)
	7	(89)
2005		
UK corporation tax	1	–
Overseas taxation	20	(79)
	21	(79)

17. Trade and other receivables

	2006 £m	2005 £m
Trade receivables	1,516	1,410
Less provision for impairment of receivables	(39)	(51)
	1,477	1,359
Amounts owed by joint ventures	23	22
Amounts owed by associates	6	2
Derivative financial instruments (Note 24)	33	85
Other receivables	144	129
	1,683	1,597

18. Cash, short term deposits and short term investments

	2006 £m	2005 £m
Cash at bank and in hand	262	258
Short term deposits	561	613
Cash and short term deposits	823	871
Short term investments	8	–
	831	871

(i) The currency and interest exposure of cash, short term deposits and short term investments of the Group is as follows:

	Cash £m	Short term deposits £m	Short term investments £m	2006 Total £m	Cash £m	Short term deposits £m	Short term investments £m	2005 Total £m
Sterling	114	511	–	625	107	600	–	707
Euros	106	18	–	124	89	9	–	98
US Dollars	26	29	8	63	45	3	–	48
Other currencies	16	3	–	19	17	1	–	18
	262	561	8	831	258	613	–	871
Floating interest rate	262	36	8	306	258	–	–	258
Fixed interest rate	–	525	–	525	–	613	–	613

Short term deposits are highly liquid investments with original maturities of three months or less and short term investments are deposits for periods not exceeding one year. The weighted average interest rate across both these types of investment was 5.0% (2005: 4.5%). During each of the periods above cash earned interest at a floating rate based on LIBOR or other official local rates.

19. Assets held for sale

	2006 £m	2005 £m
Land and buildings	1	3

At the end of the period, land and buildings with an original cost of £2m (2005: £48m) and accumulated depreciation of £1m (2005: £45m) were classified as held for sale. These assets have been taken out of use and are being actively marketed for sale, with an expectation that they will be sold within the next 12 months.

20. Trade and other payables

	2006 £m	2005 £m
Trade payables	1,301	1,271
Amounts owed to joint ventures	12	4
Amounts owed to associates	2	3
Other taxation and social security	32	37
Interest payable	31	45
Capital expenditure creditors	112	90
Derivative financial instruments (Note 24)	107	38
Other payables	420	394
	2,017	1,882

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

21. Borrowings

	2006 £m	2005 £m
Current:		
Bank overdrafts	25	46
Other loans	6	11
5.375% Eurobond 2006	–	14
4.625% Subordinated convertible debenture loan 2007 (Note 29.2)	103	108
3% Unsubordinated convertible bond 2007 (Note 29.2)	1	203
Obligations under finance leases	24	2
	159	384
Non-current:		
5.625% Debenture stock 2008	92	92
6.75% Bonds 2008	200	199
7.5% Senior notes 2011	534	543
11.5% Debenture stock 2016	–	150
Non-returnable proceeds from securitisation programme	275	272
Redeemable shares	–	8
Bank and other loans	–	11
Obligations under finance leases	135	33
	1,236	1,308

Interest payable on the above borrowings is included within trade and other payables (Note 20).

(i) The currency and interest exposure of gross borrowings of the Group at the end of the period is as follows:

	2006				2005			
	Fixed rate borrowings £m	Floating rate borrowings £m	Zero rate borrowings £m	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m	Zero rate borrowings £m	Total £m
Sterling	313	275	–	588	364	293	8	665
Euros	776	20	–	796	984	10	1	995
US Dollars	5	3	–	8	2	–	–	2
Other	–	3	–	3	20	10	–	30
	1,094	301	–	1,395	1,370	313	9	1,692
	2006		2005					
	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years	Weighted average effective fixed interest rate %	Weighted average time for which rate is fixed Years				
Sterling	7.1	4.0	8.8	6.1				
Euros	6.8	3.2	6.0	3.4				
US Dollars	6.4	0.0	5.1	0.6				
Other	–	–	6.4	0.7				

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 outstanding at the end of the prior year and which include items referred to in Note 21(x) on page 112, had a weighted average maturity of 0.1 years.

The weighted average interest rate on current borrowings was 5.0% (2005: 3.9%) and on non-current borrowings was 6.6% (2005: 7.0%).

21. Borrowings continued

(ii) The maturity of borrowings is as follows:

	2006 £m	2005 £m
In one year or less or on demand	169	386
Between one and two years	315	12
Between two and three years	309	297
Between three and four years	19	275
Between four and five years	548	2
More than five years	80	735
	1,440	1,707
Less: amounts representing interest in future minimum lease payments	(45)	(15)
	1,395	1,692
Analysed as:		
Current liabilities	159	384
Non-current liabilities	1,236	1,308

The outstanding liability for the Group's two convertible bonds are disclosed as current borrowings in both periods shown above, even though they mature in 2007, as bondholders have the unconditional contractual right to convert at any time.

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006 £m	2005 £m	2006 £m	2005 £m
Not later than one year	34	4	24	2
Later than one year but not more than five years	91	12	72	7
More than five years	79	34	63	26
	204	50	159	35
Less: future finance charges on finance leases	(45)	(15)	-	-
Present value of lease obligations	159	35	159	35

Included within the value of finance lease obligations above are amounts resulting from the adoption of IFRIC 4 as from 1 January 2006 (see Presentation of accounts and accounting policies Note I).

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

	2006 £m	2005 £m
In one year or less	-	3
Between one and two years	472	12
More than two years	-	550
	472	565

Total unutilised bank facilities at the end of the period were £639m (2005: £681m).

(iv) On 24 February 2005 Corus signed a €800m revolving credit facility with a consortium of relationship banks. Following the completion of the sale of Corus' aluminium downstream assets, the facility was reduced by €100m to €700m and certain related covenants, as described below, were also reduced in accordance with the terms of the facility agreement. The revolving facility had a final maturity date of 31 December 2008 and provided committed bank financing for general corporate purposes and working capital requirements. The principal terms of this syndicated facility included:

- The facility had two tranches (a €600m facility available to Corus and Corus Nederland BV, and a further €100m for Corus Nederland BV only). As described above, the first tranche which was originally €700m decreased by an amount of €100m to €600m on 1 August 2006.
- Fixed security over shares in Corus Nederland BV and its UK holding companies and a floating charge over the assets of Corus Group plc (but excluding its shares in Corus UK Limited).

21. Borrowings continued

Covenants to be complied with for the period ended 30 December 2006 (under pre-existing UK GAAP):

- Group EBITDA/net interest cover and Corus Nederland Group EBITDA/Corus Nederland Group net interest cover should not have been less than 3.5 times.
- Group consolidated net tangible worth (after allowing for impairment/restructuring costs) should not have been less than £2,500m. Corus Nederland Group consolidated net tangible worth should not have been less than €2,000m.
- Dividends of up to 50% of consolidated net income (prior to exceptional items) were permitted, subject to Group EBITDA/net interest cover of at least 4.5 times.
- Group gearing (net debt/net tangible worth, after allowing for impairment/restructuring costs) should not have exceeded 60%. Corus Nederland Group gearing should not have exceeded 35%.

On 27 April 2007 a voluntary notice was given by the Company to the relationship banks to cancel this facility. In addition, on 30 April 2007 a £3,670m senior secured facilities agreement was signed by Corus' new parent company, Tata Steel UK Limited, in order to support the financing of the acquisition and future working capital requirements for the enlarged group. These new facilities, which contain both term debt and revolving credit elements have final maturities between five and seven years, with the term debt subject to a scheduled amortisation programme. The facilities are also subject to financial covenants including; cash flow to net debt service; maximum net debt to EBITDA; free cash flow to net finance charges; and maximum capital expenditure levels.

- (v) On 3 March 2006, Corus completed the early repayment of the £150m Debenture stock due 2016. The total repayment of £237m included a premium on redemption of £87m which has been charged to profit and loss in the period (see Note 5).
- (vi) The other Bonds, and other Debenture stock are unsecured and contain no financial covenants. Under the terms of the 6.75% Bonds 2008 the Company has agreed that no further charges will be created over the assets of Corus UK Limited to support bond debt other than the Debenture stock described in (v) above.
- (vii) The €307m 3% Guaranteed convertible unsubordinated bonds due 2007, issued by the Company, are unconditionally and irrevocably guaranteed by Corus UK Limited. In December 2006 holders of €305m of these bonds exercised their conversion rights resulting in the issue of 46,632,497 new shares. The residual amount was converted at the request of the bond trustee on 4 January 2007, resulting in the issue of a further 237,709 new shares and completing the conversion of the full debt liability ahead of the scheduled maturity date of 11 January 2007.
- (viii) On 23 September 2004, €600m 7.5% Senior notes due 2011 were issued by the Company. On 20 October 2004, a further €200m of these notes were issued with the second issue being at a premium of 5.5%, equivalent to £8m. The notes are unsecured and are guaranteed on a senior basis by Corus UK Limited, and contain no financial covenants.
- (ix) Corus has a revolving period securitisation programme under which it may offer to assign all of its rights, title and interest in a pool of invoiced trade receivables to a third party which is funded ultimately in the commercial paper markets. Cash advanced under this programme at the end of the year amounted to £275m and under IAS 39 this has been shown as non-current borrowings. The Group is not obliged, and does not intend, to support any losses arising from the assigned receivables against which cash has been advanced. In the event of default in payment by a debtor, the providers of the finance will seek repayment of cash advanced, as to both principal and interest, only from the remainder of the pool of debtors in which they hold an interest. Repayment will not be sought from the Group in any other way.
- (x) The redeemable shares were issued by Cogent Power Ltd, a subsidiary of Corus, to its minority shareholder and as required by IAS 32 were disclosed as financial liabilities at the end of 2005. On 31 August 2006 Corus completed the repurchase of these shares (see Note 39).

Authorised, issued and fully paid	2006 £m	2005 £m
Redeemable shares of £1 each	-	8

22. Other non-current liabilities

	2006 £m	2005 £m
Derivative financial instruments (Note 24)	40	22
Other creditors	30	24
	70	46
<hr/>		
	2006 £m	2005 £m
An analysis of other creditors by currency is set out below:		
Sterling	25	21
Euros	1	1
Other	4	2
	30	24

These other creditors, which predominately relate to long term insurance liabilities, are due for repayment within five years and are not subject to interest.

23. Currency analysis of net assets

The Group's net assets by principal currencies at the end of the period are:

	2006				2005			
	Operational net assets by functional currency £m	Cash, short term deposits and short term investments £m	Gross borrowings £m	Net assets £m	Operational net assets by functional currency £m	Cash, short term deposits and short term investments £m	Gross borrowings £m	Net assets £m
Sterling	2,781	625	(588)	2,818	2,270	707	(665)	2,312
Euros	1,568	124	(796)	896	1,697	98	(995)	800
US Dollars	51	63	(8)	106	75	48	(2)	121
Other	98	19	(3)	114	157	18	(30)	145
	4,498	831	(1,395)	3,934	4,199	871	(1,692)	3,378

The Group's policy is to protect, as far as practicable, the value following translation of assets denominated in foreign currencies and therefore to economically 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 euro-denominated operational net assets (in particular those arising within the Corus Nederland BV subsidiary group), where the risk tends to be balanced over time by the opposing effect of exchange rate movements on competitiveness and profitability, only a partial hedge is undertaken. The period end position, as presented above, was compatible with the Group's policy and strategy which was applied consistently throughout the period. In particular those euro-denominated borrowings issued by the Company (2006: £535m; 2005: £746m) are formally designated as hedging instruments under IAS 39, and following appropriate testing were deemed to be wholly effective during the period.

24. Derivative financial instruments

The Group utilises currency and commodity derivatives to hedge significant future transactions and cash flows and in the majority of cases these are subject to hedge accounting under IAS 39. In addition certain of the Group's other operating contracts and convertible loan notes contain embedded derivatives that are required to be accounted for separately, although hedge accounting is not normally applicable for these items. These items gave rise to the following fair values that have been recognised in the balance sheet:

	Assets £m	Liabilities £m
2006		
Non-current:		
Commodity contracts	–	(31)
Other embedded derivatives	–	(9)
	–	(40)
Current:		
Commodity contracts	16	(66)
Foreign currency contracts	15	(37)
Other embedded derivatives	2	(4)
	33	(107)
	33	(147)
	Assets £m	Liabilities £m
2005		
Non-current:		
Commodity contracts	–	(10)
Foreign currency contracts	–	(7)
Other embedded derivatives	–	(5)
	–	(22)
Current:		
Commodity contracts	40	(25)
Foreign currency contracts	40	(5)
Other embedded derivatives	5	(8)
	85	(38)
	85	(60)
	2006 £m	2005 £m
The net fair values of derivative financial instruments that were designated as cash flow hedges at the balance sheet date were:		
Commodity contracts	(8)	11
Foreign currency contracts	(17)	(22)
The following amounts have been (charged)/credited to profit and loss and inventories in respect of contracts maturing or arising during the period:		
Commodity contracts	(67)	6
Foreign currency contracts	(17)	(50)

The 2006 balances above include a £12m credit in relation to disposals of Group undertakings during the year.

At the balance sheet date the total notional amount of outstanding foreign currency and commodity contracts that the Group has committed to are as follows:

	2006 £m	2005 £m
Foreign currency contracts	1,779	1,782
Commodity futures and options	947	367

The Group covers 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 profit and loss.

The Group also uses interest rate swaps from time to time, although none were outstanding at either of the balance sheet dates above. However, as disclosed in Note 5, losses were recorded on such contracts during the period.

25. Fair values of non derivative financial assets and financial liabilities

The major financial risks facing the Group and the objectives and policies for holding financial instruments are discussed in the Financial review on pages 42 and 43.

	2006		2005	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets:				
Non-current loans and receivables and available for sale investments (i) (Note 14)	62	62	113	113
Trade and other receivables (Note 17)	1,650	1,650	1,512	1,512
Other short term investments (ii) (Note 18)	8	8	-	-
Cash and short term deposits (ii) (Note 18)	823	823	871	871
Financial liabilities:				
Current borrowings (ii) (Note 21)	(159)	(162)	(384)	(415)
Trade and other payables (Note 20)	(1,910)	(1,910)	(1,844)	(1,844)
Non-current borrowings (iv) (Note 21)	(1,236)	(1,289)	(1,308)	(1,428)
	(762)	(818)	(1,040)	(1,191)

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

- (i) Non-current loans and receivables, available for sale and non-current borrowings are valued at market prices or dealer quotes.
- (ii) The fair values of cash, short term deposits, short term investments and current borrowings (other than those arising from separately listed debt) approximate to their book values due to their short term nature.
- (iii) For those loan investments bearing either no interest or a floating rate of interest it is deemed that the carrying amount approximates to the fair value. For those bearing a fixed rate of interest, unless there is a significant difference between the fixed rate and the rate at which the Group could make a similar loan in current conditions, it is deemed that the carrying amount approximates to the fair value.
- (iv) £301m (2005: £313m) of borrowings are with variable rate terms, for which the carrying amount approximates to fair value because of the frequency of re-pricing at market value. The remaining £1,094m (2005: £1,379m) 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.

26. Provisions for liabilities and charges

	Rationalisation costs £m	Insurance £m	Employee benefits £m	Other £m	Total 2006 £m	Total 2005 £m
At beginning of period	100	42	25	66	233	263
Charged to profit and loss	27	3	8	13	51	70
Released to profit and loss	(5)	–	–	(9)	(14)	(18)
Disposal of group undertakings (Note 40)	(6)	–	(2)	(10)	(18)	(6)
Utilised in period	(60)	(9)	(1)	(6)	(76)	(75)
Exchange rate movements	–	–	–	(1)	(1)	(1)
At end of period	56	36	30	53	175	233
Analysed as:						
Current liabilities	54	2	3	22	81	117
Non-current liabilities	2	34	27	31	94	116

(i) Rationalisation costs include redundancy provisions as follows:

	By value		Related employee numbers	
	2006 £m	2005 £m	2006 No.	2005 No.
At beginning of period	48	58	1,579	2,100
Group charge for redundancies (across manufacturing, selling, distribution and administration)	16	31	388	950
Released to profit and loss	–	(4)	–	(226)
Disposal of group undertakings	(6)	(4)	(160)	(76)
Utilised during the period	(28)	(33)	(916)	(1,169)
At end of period	30	48	891	1,579
	2006 £m	2005 £m		
Other rationalisation provisions arise as follows:				
Onerous lease payments relating to unutilised premises	4	7		
Environmental and other remediation costs at sites subject to restructuring/closure	13	22		
Pension and other charges associated with redundancies	2	13		
Other	7	10		
	26	52		

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

- (ii) 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 represent losses incurred but not yet reported in respect of risks retained by the Group rather than passed to third party insurers. They 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.
- (iii) Provisions for employee benefits include long term benefits such as long service and sabbatical leave, disability benefits and sick leave. All items are subject to independent actuarial assessments.
- (iv) Other provisions include £7m (2005: £6m) for product warranty claims. During the period there were charges to profit and loss of £3m (2005: £3m) and cash settlements of £2m (2005: £3m) against these claims. The other provisions also include environmental provisions for continuing operations on disposed units for which the timing of any potential expenditure is uncertain.
- (v) The impact of discounting the above provisions to take into consideration the time value of money is not considered to be sufficiently material to require separate disclosure.

27. Deferred tax

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2006 £m	2005 £m
Deferred tax assets	178	172
Deferred tax liabilities	(123)	(126)
	55	46

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation £m	Losses £m	Pension £m	Other £m	Total £m
2006					
At beginning of period	(231)	314	(13)	(24)	46
Credited/(charged) to profit and loss	122	(72)	(71)	(18)	(39)
Exchange rate movements	1	(2)	–	2	1
Credited to equity	–	–	10	11	21
Disposal of group undertakings (Note 40)	31	(28)	(7)	30	26
At end of period	(77)	212	(81)	1	55
	Accelerated tax depreciation £m	Losses £m	Pension £m	Other £m	Total £m
2005					
At beginning of period	(209)	259	(14)	1	37
(Charged)/credited to profit and loss	(24)	55	(20)	(8)	3
Exchange rate movements	2	–	1	1	4
Credited/(charged) to equity	–	–	20	(13)	7
Reclassifications	–	–	–	(5)	(5)
At end of period	(231)	314	(13)	(24)	46

The deferred tax assets of £178m (2005: £172m), which mainly arise in the UK, are recoverable against future forecast taxable profits 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 of £1,424m (2005: £1,471m). These losses comprise UK losses of £1,091m (2005: £1,063m) and non UK losses of £333m (2005: £408m). The non UK losses include losses of £257m (2005: £286m) that expire between the years 2011 to 2025.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is £1,737m (2005: £1,397m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

28. Deferred income

	Contract advances £m	Development grants £m	Total 2006 £m	Total 2005 £m
At beginning of period	37	28	65	33
New contributions received	10	6	16	45
Releases to profit and loss	(8)	(5)	(13)	(11)
Accelerated releases to profit and loss	–	–	–	(2)
Disposal of group undertakings (Note 40)	–	(2)	(2)	–
Exchange rate movements	–	(1)	(1)	–
At end of period	39	26	65	65

29. Share capital

29.1 Share capital of the Company

The share capital of the Company is shown below:

	2006 £m	2005 £m
Authorised		
9,978,327,388 ordinary shares of 10p each	–	998
1,995,665,477 ordinary shares of 50p each	998	–
3,130,418,153 deferred shares of 40p each	1,252	1,252
	2,250	2,250
Allotted, called up and fully paid		
4,452,087,589 ordinary shares of 10p each	–	445
945,555,438 ordinary shares of 50p each	473	–
3,130,418,153 (2005: 3,130,418,153) deferred shares of 40p each	1,252	1,252
	1,725	1,697

The movements in share capital are set out below:

Authorised	Deferred shares		Ordinary shares	
	No. of shares	£m	No. of shares	£m
2006				
At beginning of period	3,130,418,153	1,252	9,978,327,388	998
Share consolidation (ii)	–	–	(7,982,661,911)	–
At end of period	3,130,418,153	1,252	1,995,665,477	998

Authorised	Deferred shares		Ordinary shares	
	No. of shares	£m	No. of shares	£m
2005				
At beginning and end of period	3,130,418,153	1,252	9,978,327,388	998

Issued	Deferred shares		Ordinary shares	
	No. of shares	£m	No. of shares	£m
2006				
At beginning of period	3,130,418,153	1,252	4,452,087,589	445
Exercise of share options	–	–	1,304,743	–
Awards of shares under Employee Share Ownership Plan	–	–	1,091,114	–
Awards of shares under Leveraged Equity Acquisition Plan	–	–	2,251,479	1
At 12 May 2006 prior to share consolidation (ii)	3,130,418,153	1,252	4,456,734,925	446
At 12 May 2006 after share consolidation (ii)	–	–	891,346,985	446
Exercise of share options	–	–	5,817,751	3
Awards of shares under Employee Share Ownership Plan	–	–	359,617	–
Awards of shares under Leveraged Equity Acquisition Plan	–	–	1,398,588	1
Bond conversion	–	–	46,632,497	23
At end of period	3,130,418,153 (vi)	1,252	945,555,438	473

Issued	Deferred shares		Ordinary shares	
	No. of shares	£m	No. of shares	£m
2005				
At beginning of period	3,130,418,153	1,252	4,438,832,877	444
Exercise of share options	–	–	4,933,106	–
Awards of shares under Employee Share Ownership Plan	–	–	5,300,913	1
Awards of shares under Leveraged Equity Acquisition Plan	–	–	3,020,693	–
At end of period	3,130,418,153	1,252	4,452,087,589	445

29. Share capital continued

29.1 Share capital of the Company continued

- (i) Share options were exercised at prices ranging between 195p and 517p (2005 restated: 213p and 268p). Shares were awarded under the Employee Share Ownership Plan at prices ranging between 313p and 532p (2005 restated: 217p and 300p). Shares were awarded under the Leveraged Equity Acquisition Plan at a price of 50p (2005 restated: 50p and 290p). The total consideration received was £17m (2005: £6m).
- (ii) At Corus' AGM on 9 May 2006, shareholders approved the consolidation of Corus' existing share capital. As a result 1 new ordinary share of 50p was issued for every 5 existing shares of 10p each. This consolidation took place at the close of trading on 12 May 2006 with the new 50p shares beginning trading on 15 May 2006.
- (iii) The rights attached to the deferred shares, which were not listed, rendered them effectively worthless and they were cancelled on 7 March 2007 (see note (vi) below).
- (iv) Pursuant to the approvals given at the AGMs held on 22 April 2004 and 16 June 2005, the Company retained authority to make market purchases of up to 89,097,250 of its own ordinary shares up to the end of the AGM to be held in 2007. No purchases have been made under these or any other authorities.
- (v) The Group operates a number of employee share plans and included within employment costs in Note 4 is an expense arising from these share-based payment transactions amounting to £17m. Details of the share plans are given below and, where applicable, in the Report on remuneration.
- (vi) Pursuant to a special resolution of the Company passed on 7 March 2007 in connection with the Tata acquisition and an order of the High Court of Justice in England and Wales granted on 30 March 2007 and filed at Companies House on 2 April 2007, the authorised share capital of the Company was reduced from £2,249,999,999.70 to £629,412,622.50 by the cancellation of 736,840,232 ordinary shares of 50p each and 3,130,418,153 deferred shares of 40p each. Pursuant to the same special resolution of the Company passed on 7 March 2007, forthwith upon such reduction of capital taking effect, the authorised share capital of the Company was increased to its former amount by the creation of 3,241,174,754 ordinary shares of 50p each. The deferred shares were cancelled for no consideration. The reserve arising from cancellation was capitalised by paying up new ordinary shares.

29.2 Rights to subscribe for shares

Employee Share Plans

Five share option schemes were in operation during the year:

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

The former British Steel schemes are no longer capable of being used for granting options because their rules only permit options to be granted over British Steel shares. Options outstanding on 6 October 1999, when British Steel plc merged with Koninklijke Hoogovens NV to form Corus Group plc, were converted from options over British Steel shares into options over Corus shares whilst maintaining the exercisable value. These schemes continued to operate in all respects other than in connection with granting of options during 2006 and are described in more detail in the Report on remuneration.

29. Share capital continued

29.2 Rights to subscribe for shares continued

Sharesave schemes

The Corus Sharesave Scheme was a UK HM Revenue & Customs approved savings related sharesave scheme available to UK employees. The scheme rules of the Corus International Sharesave Scheme are based, to such an extent as practically possible, on the rules of the Corus Sharesave Scheme.

The majority of employees in the UK, the Netherlands and Germany were eligible to apply for options under one or other of the Sharesave Schemes which are linked to a three year savings contract. Options were granted at a price not less than 80% of the average of the market value of an ordinary share on the London Stock Exchange on three consecutive dealing days immediately preceding the date of invitation and within 30 days of date of grant. Under the Tata acquisition all sharesave options may be exercised for a period of six months commencing 27 March 2007 or at the normal maturity date.

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

	Corus Sharesave No. of shares 000s	Corus International Sharesave No. of shares 000s	Weighted average exercise price
2006			
At beginning of period	135,692	45,465	42p
Exercised	(247)	(12)	46p
Forfeited	(553)	(22)	43p
Expired or lapsed	(2,876)	(3,979)	42p
At 12 May 2006 prior to share consolidation	132,016	41,452	43p
At 12 May 2006 after share consolidation	26,403	8,290	213p
Exercised	(5,172)	(110)	248p
Forfeited	(302)	(170)	206p
Expired or lapsed	(370)	(58)	210p
At end of period	20,559	7,952	207p
Exercisable at end of period	237	31	208p
2005			
At beginning of period	112,484	35,870	45p
Granted	43,417	10,908	39p
Exercised	(393)	(7)	49p
Forfeited	(1,066)	(126)	43p
Expired or lapsed	(18,750)	(1,180)	44p
At end of period	135,692	45,465	42p
Exercisable at end of period	876	–	45p

The weighted average share price at the date of exercise was 432p (2005 restated: 255p). No shares were granted in 2006 (weighted average share price 2005 restated: 195p).

29. Share capital continued

29.2 Rights to subscribe for shares continued

Sharesave options over ordinary shares outstanding together with their exercise prices and dates of exercise are set out below:

	Year of grant	Restated option price	30 Dec 2006 No. of shares 000s	31 Dec 2005* Restated no. of shares 000s	Normal dates of exercise
Corus Sharesave Scheme	2001	250p	211	5,374	2006
	2004	213p	12,102	13,094	2008
	2005	195p	8,231	8,670	2009
Corus International Sharesave Scheme	2004	213p	5,888	6,911	2008
	2005	195p	2,061	2,182	2009
			28,493	36,231	

* Option details as at 31 December 2005 are after restatement for the adjustment arising from the share consolidation effective 15 May 2006. The number of shares under option was divided by five with the option price being multiplied by five to maintain the overall value.

No options were granted under the Corus Sharesave Scheme and the Corus International Sharesave Scheme during 2006 (2005: 4 October 2005 at the restated price of 195p per share). The restated market price on the day of the 2005 grant was 260p. The option price was equivalent to 80% of the market price of the shares at the date of invitation. At 1 April 2007, the weighted average length of time to expiry was 21 months.

Executive Schemes

Options under all executive schemes were normally exercisable between the third and tenth anniversary of the date of grant. Options were granted at a price which was the average of the market value of an ordinary share on the London Stock Exchange on the three consecutive dealing days immediately preceding the date of grant. No options were granted during the year.

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

	Corus UK Executive No. of shares 000s	Corus Overseas Executive No. of shares 000s	Corus Executive No. of shares 000s	Weighted average exercise price
2006				
At beginning of period	2,731	7,665	36,001	85p
Exercised	–	–	(1,035)	54p
Forfeited	–	–	(198)	73p
Expired or lapsed	(124)	(107)	(1,035)	98p
At 12 May 2006 prior to share consolidation	2,607	7,558	33,733	86p
At 12 May 2006 after share consolidation	521	1,511	6,746	429p
Exercised	–	–	(537)	279p
Forfeited	(14)	(4)	(81)	433p
Expired or lapsed	(90)	(255)	(167)	620p
At end of period	417	1,252	5,961	407p
Exercisable at end of period	20	656	896	475p
2005				
At beginning of period	4,378	9,317	54,192	85p
Exercised	–	–	(4,533)	53p
Forfeited	(24)	(26)	(990)	76p
Expired or lapsed	(1,623)	(1,626)	(12,668)	96p
At end of period	2,731	7,665	36,001	85p
Exercisable at end of period	109	2,885	2,651	106p

The weighted average share price at date of exercise was 434p (2005 restated: 290p).

29. Share capital continued

29.2 Rights to subscribe for shares continued

Executive share options over ordinary shares together with their exercise prices and dates of exercise are set out below:

	Restated option price	30 Dec 2006 No. of shares 000s	31 Dec 2005* Restated no. of shares 000s
Corus UK Executive Share Option Scheme	668p	–	55
	592p	163	190
	627p	254	300
Corus Overseas Executive Share Option Scheme	668p	–	187
	592p	299	311
	627p	954	1,035
Corus Executive Share Option Scheme	584p	2,395	2,717
	517p	–	23
	268p	2,886	3,779
	79p	680	680
Total		7,631	9,277

* Option details are after restatement for the adjustment arising from the share consolidation effective 15 May 2006. The number of shares under option was divided by five with the option price being multiplied by five to maintain the overall value.

Under the terms of the Tata acquisition all executive options with an exercise price below 608p became exercisable on 27 March 2007. Accordingly all such approved options were exercised in full on 27 March 2007 and unapproved options were exercised on 28 March 2007. Options with an exercise price above 608p lapsed under the terms of the scheme of arrangement.

The Employee Share Ownership Plan

The Employee Share Ownership Plan was introduced in 2001 with an offer of free and partnership shares in accordance with the rules of the scheme. Eligible employees were allowed to make contributions from pre-tax salary to buy Corus ordinary shares, which are held in trust (partnership shares). Shares were issued to satisfy awards of free and partnership shares at the market value of an ordinary share on the London Stock Exchange on the day prior to award. Only partnership shares were awarded and issued to the trust during the year. No further shares were purchased upon the scheme of arrangement becoming effective.

The Leveraged Equity Acquisition Plan

In 2004 the Company introduced a new share-based, long term incentive arrangement known as the Leveraged Equity Acquisition Plan (LEAP). Its objective was to create a very strong link between business performance, senior executives' reward and shareholders' interests over the medium term.

For the Board of directors and other Executive committee members there were three routes to investment in the LEAP:

- the mandatory investment of half of annual bonus;
- an award of conditional shares of up to 25% of annual salary in any year; conditional shares were also subject to performance conditions which are described below; and
- further shares from executives' own resources if they chose.

Investment in any year was subject to a maximum commitment of 60% of an executive's annual base salary with all the above routes to investment counting towards this maximum.

These shares would vest, provided the Company's Total Shareholder Return (TSR) was at or above the 50th percentile compared to a comparator group of companies over a three year performance period. The comparator group consisted of the FTSE 250 at the date of the award, but excluded those companies in the finance sector. This performance condition was chosen because relative performance to a relevant group was considered a valid and appropriate comparator group as the Company was a constituent of this group at the time awards were made.

Under the Tata acquisition all LEAP awards vested on 26 March 2007. Further details are given in the Report on remuneration.

Matching shares could also be awarded, with the number of potential matching shares determined by reference to the same performance condition, comparator group and performance period, in accordance with the table below. Matching shares could apply to shares acquired by bonus deferral, conditional shares and shares transferred to the LEAP from the executive's own resources.

29. Share capital continued

29.2 Rights to subscribe for shares continued

LEAP TSR Performance relative to comparator group		Matching awards
Below	50th percentile	Nil
	50th	One half of the shares in LEAP
	51st to 66th	Pro rata between one half and one times the shares in LEAP
	67th	One times the shares in LEAP
	68th to 74th	Pro rata between one and two times the shares in LEAP
	75th	Two times the shares in LEAP
	76th to 89th	Pro rata between two and three times the shares in LEAP
	90th and above	Three times the shares in LEAP

Further details of the scheme as it applied to the Board of directors and other Executive committee members are given in the Report on remuneration.

Other members of the scheme were selected senior executives who received awards of only conditional shares which would normally have vested after three years. The performance period for the 2004 award ended on 31 December 2006. The performance periods for the 2005 and 2006 awards were brought to an end as a result of the Tata acquisition and all LEAP awards vested on 26 March 2007. This vesting was subject to the level of performance achieved by the Company in accordance with the decision of the Remuneration committee and the table below. The Company's TSR positions for the 2004, 2005 and 2006 awards were 3rd, 16th and 2nd in the comparator groups, placing them in the 99th, 90th and 99th percentile respectively.

LEAP TSR Performance relative to comparator group		Matching awards
Below	50th percentile	Nil
	50th	One half of the shares in LEAP
	51st to 66th	Pro rata between one half and one times the shares in LEAP
	67th	One times the shares in LEAP
	68th to 74th	Pro rata between one and one and three quarter times the shares in LEAP
	75th	One and three quarter times the shares in LEAP
	76th to 89th	Pro rata between one and three quarter times and two and half times the shares in LEAP
	90th and above	Two and a half times the shares in LEAP

Shares issued to satisfy awards were based on the market value of an ordinary share on the London Stock Exchange on the day prior to the award.

Movements in awards under the LEAP are set out below:

	Deferred bonus shares No. of shares 000s	Annual bonus cash shares No. of shares 000s	Investment shares No. of shares 000s	Conditional shares No. of shares 000s
2006				
At beginning of period	1,638	322	509	22,446
Awarded	1,155	–	–	8,574
Vested	(133)	–	(45)	(289)
Forfeited	–	–	–	(153)
At 12 May 2006 prior to share consolidation	2,660	322	464	30,578
At 12 May 2006 after share consolidation	532	64	93	6,116
Vested	–	–	–	(668)
Forfeited	–	–	–	(336)
At end of period	532	64	93	5,112

29. Share capital continued**29.2 Rights to subscribe for shares continued**

	Deferred bonus shares No. of shares 000s	Annual bonus cash shares No. of shares 000s	Investment shares No. of shares 000s	Conditional shares No. of shares 000s
2005				
At beginning of period	467	350	395	14,288
Awarded	1,269	–	114	9,405
Vested	(98)	(28)	–	(675)
Forfeited	–	–	–	(572)
At end of period	1,638	322	509	22,446

Convertible debt (see Note 21)

Holders of convertible debt can exercise their conversion rights throughout the unexpired term of the loans and be issued with Corus Group plc ordinary shares of 50p each as set out below:

	Nominal amount €m	No. of shares to be issued	Period during which right is exercisable	Consideration to be received €m
Corus Nederland BV 4.625% Subordinated convertible debenture loan 2007				
At 1 January 2006	152	19,338,688	2000-2007	104
At 30 December 2006	152	19,338,688	2000-2007	102
Corus Group plc €307m 3% Unsubordinated convertible bond 2007				
At 1 January 2006	307	46,870,206	2002-2007	
At 30 December 2006	307	287,709	2002-2007	

The number of shares to be issued has been restated to reflect the impact of the share consolidation.

Both of the above bonds were redeemed in full subsequent to the year end (see Note 21 (vii) and Note 42 (ii)).

30. Reconciliation of movements in share capital and reserves

	Share capital £m	Share premium account £m	Other reserves £m	Consolidated reserves (see note vii) £m	Total £m
2006					
At beginning of period	1,697	173	283	1,199	3,352
Adoption of IFRIC 4 (see Presentation of accounts and accounting policies Note I)	–	–	–	(3)	(3)
At beginning of period restated	1,697	173	283	1,196	3,349
Profit after taxation attributable to equity holders of the parent	–	–	–	223	223
Reclassification to other reserves (see note iii)	–	–	48	(48)	–
Exchange translation differences on foreign currency net investments	–	–	–	(42)	(42)
Early redemption of 3% €307m Convertible bond 2007 (see note iv)	23	202	–	(3)	222
Other new shares issued	5	14	–	–	19
Issue of conditional share awards	–	–	–	16	16
Actuarial gains and losses on defined benefit pension and other post-retirement plans	–	–	–	224	224
Net movement on cash flow hedges	–	–	–	(40)	(40)
Transfer of gains on disposal of available for sale investments	–	–	–	(6)	(6)
Revaluation of goodwill due to exchange	–	–	–	(1)	(1)
Deferred tax on items taken directly to reserves	–	–	–	29	29
Dividends paid	–	–	–	(69)	(69)
Transfer of cash flow hedge reserves on disposals	–	–	–	(12)	(12)
Transfer of deferred tax on cash flow hedge reserves on disposals	–	–	–	8	8
Transfer of cumulative foreign exchange on reduction in currency net investments	–	–	–	10	10
At end of period	1,725	389	331	1,485	3,930

	Share capital £m	Share premium account £m	Statutory reserve (see note i) £m	Other reserves £m	Consolidated reserves (see note vii) £m	Total £m
2005						
At beginning of period	1,696	168	2,338	201	(1,378)	3,025
Adoption of IAS 32 and IAS 39 (see Presentation of accounts and accounting policies Note I)	–	–	–	–	24	24
At beginning of period restated	1,696	168	2,338	201	(1,354)	3,049
Cancellation of Corus UK Limited statutory reserve	–	–	(2,338)	24	2,314	–
Profit after taxation attributable to equity holders of the parent	–	–	–	–	452	452
Reclassification to other reserves (see note iii)	–	–	–	58	(58)	–
Exchange translation differences on foreign currency net investments	–	–	–	–	(12)	(12)
New shares issued	1	5	–	–	–	6
Issue of conditional share awards	–	–	–	–	12	12
Actuarial gains and losses on defined benefit pension and other post-retirement plans	–	–	–	–	(156)	(156)
Net movement on cash flow hedges	–	–	–	–	(6)	(6)
Revaluation of available for sale investments	–	–	–	–	7	7
Revaluation of goodwill due to exchange	–	–	–	–	(2)	(2)
Deferred tax on items taken directly to reserves	–	–	–	–	24	24
Dividends paid	–	–	–	–	(22)	(22)
At end of period	1,697	173	–	283	1,199	3,352

- (i) The statutory reserve of £2,338m arose in Corus UK Limited under section 7(1) of the British Steel Act 1988. £381m of the statutory reserves were available for distribution; the balance of £1,957m being restricted reserves which could only be applied in paying up unissued shares to be allotted to members as fully paid bonus shares. On 17 June 2005, after issuing these bonus shares to the parent company Corus Group plc, Corus UK Limited made a court application for a capital reduction to effectively cancel the statutory reserve to the extent of any cumulative profit and loss deficit arising in that company. This application was successful and became effective as from 15 July 2005.

30. Reconciliation of movements in share capital and reserves continued

- (ii) Distributable retained profits of subsidiaries, joint ventures and associates attributable to the Group include £753m (2005: £497m) 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) Following the cancellation of the statutory reserve (see (i) above) the profits made on the disposals of certain assets and the settlement of certain provisions are being reclassified from consolidated reserves into other reserves. The brought forward other reserve balance largely relates to a merger accounting adjustment for the acquisition of Corus Nederland BV on the formation of Corus Group plc, previously reported under UK GAAP and exempt from revision on transition to IFRS. All of these other reserves are not available for distribution.
- (iv) During December 2006, holders of €305m of Corus' €307m Convertible bonds due 2007 exercised their conversion rights resulting in the issue of 46,632,497 of new shares. The reserve movements in relation to this early redemption include a credit of £17m arising from the release of the associated embedded derivative option directly to equity.
- (v) Retained profits of subsidiary undertakings include £9m (2005: £8m) which is not available for distribution.
- (vi) The cumulative translation exchange in equity at the end of the period since the adoption of IFRS as at 4 January 2004 is £49m (2005: £16m).
- (vii) Consolidated reserves may be further analysed as follows:

	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Retained earnings £m	Total £m
2006					
At beginning of period	26	(16)	7	1,182	1,199
Adoption of IFRIC 4	–	–	–	(3)	(3)
At beginning of period restated	26	(16)	7	1,179	1,196
Profit after taxation attributable to equity holders of the parent	–	–	–	223	223
Reclassification to other reserves	(5)	–	–	(43)	(48)
Exchange translation differences on foreign currency net investments	–	(42)	–	–	(42)
Early redemption of 3% €307m Convertible bond 2007	–	–	–	(3)	(3)
Issue of conditional share awards	–	–	–	16	16
Actuarial gains and losses on defined benefit pension and other post-retirement plans	–	–	–	224	224
Net movement on cash flow hedges	(40)	–	–	–	(40)
Revaluation of available for sale investments	–	–	(6)	–	(6)
Revaluation of goodwill due to exchange	–	(1)	–	–	(1)
Deferred tax on items taken directly to reserves	8	–	–	21	29
Dividends paid	–	–	–	(69)	(69)
Transfer of cash flow hedge reserves on disposals	(12)	–	–	–	(12)
Transfer of deferred tax on cash flow hedge reserves on disposals	8	–	–	–	8
Transfer of cumulative foreign exchange on reduction in currency net investments	–	10	–	–	10
At end of period	(15)	(49)	1	1,548	1,485

30. Reconciliation of movements in share capital and reserves continued

	Hedging reserve £m	Translation reserves £m	Investment revaluation reserves £m	Retained earnings £m	Total £m
2005					
At beginning of period	–	(2)	–	(1,376)	(1,378)
Adoption of IAS 32 and IAS 39	24	–	–	–	24
At beginning of period restated	24	(2)	–	(1,376)	(1,354)
Cancellation of Corus UK Limited statutory reserve	–	–	–	2,314	2,314
Profit after taxation attributable to equity holders of the parent	–	–	–	452	452
Reclassification to other reserves	–	–	–	(58)	(58)
Exchange translation differences on foreign currency net investments	–	(12)	–	–	(12)
Issue of conditional share awards	–	–	–	12	12
Actuarial gains and losses on defined benefit pension and other post-retirement plans	–	–	–	(156)	(156)
Net movement on cash flow hedges	(6)	–	–	–	(6)
Revaluation of available for sale investments	–	–	7	–	7
Revaluation of goodwill due to exchange	–	(2)	–	–	(2)
Deferred tax on items taken directly to reserves	8	–	–	16	24
Dividends paid	–	–	–	(22)	(22)
At end of period	26	(16)	7	1,182	1,199

31. Minority interests

	2006 £m	2005 £m
At beginning of period	26	33
Reclassification arising from adoption of IAS 32 (Note 21(x))	–	(8)
Retained profit/(loss)	6	(1)
Acquisition of minority shareholding (Note 39)	(6)	–
Disposal of group undertakings (Note 40)	(20)	–
Exchange rate movements	(2)	2
At end of period	4	26

32. Future capital expenditure

	2006 £m	2005 £m
Contracted but not provided for	152	180
Authorised but contracts not yet placed	59	319

External consortium members will contribute approximately 76% of the expected US\$100m capital expenditure of the Teesside Cast Products business over the 10 year agreement to supply slab as signed in January 2005, with the balance of the requirement being met by Corus. The amounts above reflect Corus' 24% share of any contracted or authorised expenditure at the balance sheet date.

At the end of 2005, there was £4m of expenditure authorised but contracts not yet placed in relation to intangible assets. There is no such expenditure at the end of 2006.

33. Operating leases

	2006 £m	2005 £m
Committed amounts payable for the next year are:		
Leases of land and buildings expiring:		
Within one year	1	–
In years two to five	1	2
After more than five years	10	10
	12	12
Other leases (principally for plant and machinery) expiring:		
Within one year	11	18
In years two to five	25	25
After more than five years	27	32
	63	75
Future minimum lease payments for the Group at the end of the period are:		
Not later than one year	75	87
Later than one year and not later than five	178	193
More than five years	209	262

34. Contingencies

	2006 £m	2005 £m
Guarantees given under trade agreements	63	39
Guarantees on behalf of joint ventures	4	4
Others	89	81

The Ancillary information on pages 144 to 152 provides a discussion of the regulatory regime in which Corus operates, current legal proceedings and recent significant contracts. Dependent on future events, each of these areas may give rise to contingencies and commitments that are not currently reflected in the above figures. There are also contingent liabilities in the ordinary course of business in connection with the completion of contractual arrangements.

35. Reconciliation of cash generated from operations

	2006 £m	2005 £m	2004 £m
Profit after taxation	229	451	441
Adjustments for:			
Taxation	126	129	126
Depreciation and amortisation including impairment items (net of grants released)	291	343	306
Profit on disposals	(52)	(30)	(78)
Interest income	(34)	(31)	(13)
Interest expense	204	132	129
Share of results of joint ventures and associates	(24)	(1)	(21)
Other non cash items	17	12	4
Movement in pension prepayments and provisions	(176)	1	1
Movement in provisions for impairments of trade receivables	(7)	–	1
Movement in insurance and other provisions	(8)	7	26
Movement in loose plant, tools and spares	(24)	(16)	18
Movement in inventories	(242)	(262)	(357)
Movement in receivables	(267)	72	(277)
Movement in payables	381	125	290
Movement in contract advances	(3)	37	–
Net rationalisation costs provided	22	33	31
Utilisation of rationalisation provisions	(60)	(63)	(49)
Net cash flow generated from operations	373	939	578

36. Reconciliation of net cash inflow to movement in net debt

	2006 £m	2005 £m	2004 £m
Movement in cash and cash equivalents	(20)	270	218
Movement in short term investments	8	(11)	5
Movement in net debt	192	17	(54)
Issue costs of new loans	-	-	15
Premium received on issue of new loans	-	-	(8)
Change in net debt resulting from cash flows in period	180	276	176
Disposal of debt in subsidiary undertakings and businesses	21	-	-
Debt and liquid resources acquired	-	-	3
Exchange rate movements	14	27	(9)
Early redemption of 3% €307m Convertible bond 2007	205	-	-
Other non cash changes	(18)	(14)	(11)
Movement in net debt in period	402	289	159
Net debt at beginning of period	(821)	(842)	(1,001)
Adoption of IAS 32 and IAS 39	-	(268)	-
Adoption of IFRIC 4	(145)	-	-
Net debt at end of period	(564)	(821)	(842)

	£m	£m
The adoption of IAS 32, IAS 39 and IFRIC 4 may be further analysed as follows:		
Reclassification of non-returnable proceeds from the securitisation programme	-	(275)
Reclassification of equity element of convertible debt and accretion of interest thereon	-	15
Reclassification of minority preference shares	-	(8)
Capitalisation of long-term supply agreements	(145)	-
	(145)	(268)

37. Analysis of net debt

	2004 £m	Adoption of IAS 32 and IAS 39 £m	Cash flow £m	Exchange rate movements £m	Other non cash movements £m	2005 £m	Adoption of IFRIC 4 £m	Cash flow £m	Disposals £m	Exchange rate movements £m	Other non cash movements £m	2006 £m
Cash and short term deposits	589	-	284	(2)	-	871	-	(41)	-	(7)	-	823
Bank overdrafts	(32)	-	(14)	-	-	(46)	-	21	-	-	-	(25)
Cash and cash equivalents	557	-	270	(2)	-	825	-	(20)	-	(7)	-	798
Short term investments	11	-	(11)	-	-	-	-	8	-	-	-	8
Liquid resources	11	-	(11)	-	-	-	-	8	-	-	-	8
Long term borrowings	(1,035)	(283)	10	20	13	(1,275)	-	152	11	12	(1)	(1,101)
Other loans	(346)	15	6	9	(20)	(336)	-	12	7	8	199	(110)
Obligations under finance leases	(29)	-	1	-	(7)	(35)	(145)	28	3	1	(11)	(159)
Total debt excluding bank overdrafts	(1,410)	(268)	17	29	(14)	(1,646)	(145)	192	21	21	187	(1,370)
	(842)	(268)	276	27	(14)	(821)	(145)	180	21	14	187	(564)

38. Pensions and post-retirement benefits

Introduction

The Group operates a number of defined benefit pension and post-retirement schemes throughout the world, covering the majority of employees. Benefits offered by these schemes are largely based on final pay and years of service at retirement. With the exception of plans in Germany, France and certain unfunded arrangements in the UK, the assets of these schemes are held in separately administered funds.

The principal pension schemes of the Group are:

- the British Steel Pension Scheme (the 'BS' scheme), which is the main scheme for historic and present employees based in the UK;
- the Corus Engineering Steels Pension Scheme (the 'CES' scheme). Until 31 March 2003 employees of Corus Engineering Steels were active members of the CES scheme. However, these active members were offered membership of the BS scheme for all future service from 1 April 2003;
- the Stichting Pensioenfonds Hoogovens (the 'SPH' scheme), which is the main scheme for historic and present employees based in the Netherlands; and
- the aggregation of all schemes in Germany. However, following the disposal of the aluminium rolled products and extrusions businesses as well as the sale of the electrical steels laminations operations and the 2005 disposal of Mannstaedt Werke, the German pension provisions have been substantially reduced. As a result of these changes separate disclosure of unfunded German schemes will no longer be made in future periods.

The Group accounts for all pension and post-retirement benefit arrangements using IAS 19 'Employee Benefits', as amended to allow actuarial gains and losses to be recognised in retained earnings, with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to these schemes. The present value of the defined benefit obligation, the current service cost and past service costs were calculated by these actuaries using the projected unit credit method. However, the ongoing funding arrangements of each scheme, in place to meet their long term pension liabilities, are governed by the individual scheme documentation and national legislation. The accounting and disclosure requirements of IAS 19 do not affect these funding arrangements.

The Group also participates in a number of defined contribution plans on behalf of relevant personnel. Any expense recognised in relation to these schemes represents the value of contributions payable during the period by the Group at rates specified by the rules of those plans. The only amounts included in the balance sheet are those relating to the prior month's contribution that were not due to be paid until after the balance sheet date.

38. Pensions and post-retirement benefits continued

Actuarial assumptions

A range of assumptions must be used to determine the IAS 19 amounts and the values to be included can vary significantly with only small changes in these assumptions. Furthermore the actuarial assumptions used may vary according to the country in which the plans are situated.

Key assumptions applied at the balance sheet date were as follows:

	BS %	CES %	SPH %	Germany %	Other %
2006					
Salary growth	3.85	3.85	2.50	3.00	2.00 to 4.75
Pension increases	2.85	2.75	2.00	2.00	2.00 to 3.00
Discount rate	5.10	5.10	4.60	4.50	4.20 to 6.00
Inflation	2.85	2.85	2.00	2.00	2.00 to 4.50
Expected return on plan assets:					
Equities	7.70	7.70	7.50	n/a	7.50 to 9.40
Bonds	4.70	4.75	4.50	n/a	4.10 to 5.60
Property	6.20	6.20	6.00	n/a	5.60 to 6.50
Cash/others	3.90	3.90	6.50	n/a	3.50 to 5.30
2005					
Salary growth	3.70	3.70	2.50	3.00	2.00 to 4.30
Pension increases	2.70	2.60	2.00	2.00	1.50 to 4.00
Discount rate	4.80	4.80	4.00	4.25	4.20 to 6.00
Inflation	2.70	2.70	2.00	2.00	2.00 to 3.00
Expected return on plan assets:					
Equities	7.75	7.75	7.00	n/a	7.50 to 9.50
Bonds	4.30	4.30	3.80	n/a	3.60 to 5.40
Property	6.00	6.30	6.00	n/a	5.80 to 6.50
Cash/others	3.70	4.50	6.00	n/a	3.00 to 5.20

The discount rate reflects the current rate of return on AA rated corporate bonds of equivalent currency and term to the scheme liabilities. Projected inflation rate and pension increases are long term predictions based, mainly, on the yield gap between long term index-linked and fixed interest gilts. The Group establishes the expected rate of return on plan assets by developing a forward looking, long term return assumption for each asset class, taking into account factors such as the expected real return for the specific asset class, respective yields and market rates at the balance sheet date, and inflation. These returns are assumed to be net of investment expenses.

Demographic assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data, including externally published actuarial information within each national jurisdiction. The assumptions are reviewed and updated as necessary as part of the periodic actuarial funding valuations of the individual pension and post-retirement plans. In particular the mortality assumptions used at December 2006 for the BS and CES schemes are based on the results of investigations undertaken as part of their 2005 triennial valuations. The assumptions adopted are in line with the PMA92 table and reflect the steel industry mortality experience. This indicates that today's 60 year old male member is expected to live on average to approximately 82 years of age. Mortality assumptions for the SPH scheme are based on the Dutch Table GBM 2000-2005, with an age set back of two years, giving an equivalent life expectancy of over 81 years. The Heubeck RT 2005 G published biometric data is now being used for the schemes in Germany, which results in a life expectancy of over 82 years of age. Assumptions for all schemes include an allowance for continuing future improvements in life expectancy.

38. Pensions and post-retirement benefits continued

Income statement costs

Under IAS 19 costs in relation to pension and post-retirement plans mainly arise as follows:

- The current service cost is the actuarially determined present value of the pension benefits earned by employees in the current period. No charge or credit is reflected here for any surplus or deficit in the scheme and so the cost is unrelated to whether, or how, the scheme is funded.
- The expected return on assets is the actuarial forecast of total return (that is, income and gains) on the actual assets in the scheme. This is a long term rate and is set at the beginning of the period.
- The interest cost is the notional interest cost arising from unwinding the discount on the scheme liabilities, based on the discount rate (that is, appropriate bond rate) at the beginning of the period.

These items are treated as a net operating cost in profit and loss within employee remuneration.

Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of recognised income and expense. Examples are differences between the estimated return on scheme assets (credited to profit and loss) and the actual return, the remeasurement of scheme liabilities to reflect changes in discount rates, changes in demographic assumptions such as using updated mortality tables, or the effect of more employees leaving service than forecast.

Income statement pension costs arose as follows:

2006	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
Current service cost	147	–	41	2	4	194
Interest cost	414	39	141	4	14	612
Expected return on plan assets	(524)	(41)	(177)	–	(15)	(757)
Past service cost – vested benefits	(85)	(16)	4	–	3	(94)
Defined benefit schemes	(48)	(18)	9	6	6	(45)
Defined contribution schemes	–	–	–	–	7	7
Total (credit)/charge for the period	(48)	(18)	9	6	13	(38)

The past service costs above include the impact of a revised contribution and benefit framework in relation to the BS scheme, as agreed with employees and announced in February 2006 and also the effect of changes in UK taxation legislation effective from April 2006, which changed the maximum lump sums available to employees upon retirement.

2005	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
Current service cost	120	–	36	2	5	163
Interest cost	411	39	149	8	16	623
Expected return on plan assets	(481)	(32)	(177)	–	(16)	(706)
Past service cost – vested benefits	–	–	–	–	(3)	(3)
Settlements, curtailments and terminations	3	–	–	–	–	3
Defined benefit schemes	53	7	8	10	2	80
Defined contribution schemes	–	–	–	–	13	13
Total charge for the period	53	7	8	10	15	93

2004	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
Current service cost	118	–	29	2	6	155
Interest cost	401	39	153	8	16	617
Expected return on plan assets	(468)	(32)	(172)	–	(15)	(687)
Past service cost – vested benefits	–	–	–	–	(8)	(8)
Settlements, curtailments and terminations	–	–	–	–	(4)	(4)
Defined benefit schemes	51	7	10	10	(5)	73
Defined contribution schemes	–	–	–	–	24	24
Total charge for the period	51	7	10	10	19	97

The actual return on plan assets for the above schemes was £849m (2005: £1,933m; 2004: £1,238m).

38. Pensions and post-retirement benefits continued

Balance sheet measurement

In determining the amounts to be recognised in the balance sheet the following approach has been adopted:

- Pension scheme assets are measured at fair value (for example for quoted securities this is the bid-market value on the relevant public exchange).
- Pension liabilities include future benefits for pensioners and deferred pensioners, and accrued benefits for members in service taking into account projected earnings. As noted above, the pension liabilities are discounted at the current rate of return on AA rated corporate bonds of equivalent currency and term to the pension liability.

Amounts recognised in the balance sheet arose as follows:

2006	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
Fair value of plan assets at end of period	9,348	672	3,511	–	189	13,720
Present value of obligation at end of period	(8,986)	(789)	(3,438)	(51)	(229)	(13,493)
Past service cost not yet recognised	–	–	12	–	–	12
Defined benefit asset/(liability) at end of period	362	(117)	85	(51)	(40)	239
Disclosed as:						
Defined benefit asset	362	–	85	–	4	451
Defined benefit liability – current	–	–	–	(1)	(1)	(2)
Defined benefit liability – non-current	–	(117)	–	(50)	(43)	(210)
Arising from:						
Funded schemes	362	(117)	85	–	(22)	308
Unfunded schemes	–	–	–	(51)	(18)	(69)

Included within other programmes above are post-retirement medical and similar net obligations of £11m (2005: £21m).

2005	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
Fair value of plan assets at end of period	8,961	633	3,643	–	260	13,497
Present value of obligation at end of period	(8,894)	(826)	(3,580)	(156)	(349)	(13,805)
Past service cost not yet recognised	–	–	24	–	–	24
Defined benefit asset/(liability) at end of period	67	(193)	87	(156)	(89)	(284)
Disclosed as:						
Defined benefit asset	67	–	87	–	3	157
Defined benefit liability – current	–	–	–	(3)	(2)	(5)
Defined benefit liability – non-current	–	(193)	–	(153)	(90)	(436)
Arising from:						
Funded schemes	67	(193)	87	–	(71)	(110)
Unfunded schemes	–	–	–	(156)	(18)	(174)

The percentage of total plan assets for each category of investment was as follows:

2006	BS %	CES %	SPH %	Germany %	Other %
Equities	43	62	21	n/a	68
Bonds	50	30	58	n/a	25
Property	6	6	9	n/a	2
Cash/others	1	2	12	n/a	5
	100	100	100	n/a	100
2005	BS %	CES %	SPH %	Germany %	Other %
Equities	46	61	18	n/a	73
Bonds	48	31	56	n/a	20
Property	5	5	8	n/a	1
Cash/others	1	3	18	n/a	6
	100	100	100	n/a	100

38. Pensions and post-retirement benefits continued

Movements in the plan assets and benefit obligations during the period arose as follows:

	BS £m	CES £m	SPH £m	Germany £m	Other £m	Total £m
2006						
Plan assets:						
Fair value at start of period	8,961	633	3,643	–	260	13,497
Expected return on plan assets	524	41	177	–	15	757
Employer contributions	59	19	37	4	11	130
Employee contributions	43	–	21	–	1	65
Disposal of group undertakings (Note 40)	–	–	–	–	(51)	(51)
Benefits paid	(469)	(42)	(163)	(4)	(19)	(697)
Actuarial gain/(loss) on plan assets	200	21	(134)	–	5	92
Transfers in/(out)	30	–	–	–	(30)	–
Exchange rate movements	–	–	(70)	–	(3)	(73)
Fair value at end of period	9,348	672	3,511	–	189	13,720
Benefit obligations:						
Benefit obligations at start of period	8,894	826	3,580	156	349	13,805
Current service cost	147	–	41	2	4	194
Interest cost	414	39	141	4	14	612
Employee contributions	43	–	21	–	1	65
Past service cost	(85)	(16)	(8)	–	3	(106)
Disposal of group undertakings (Note 40)	–	–	–	(99)	(69)	(168)
Benefits paid	(469)	(42)	(163)	(4)	(19)	(697)
Actuarial loss/(gain) on benefit obligation	12	(18)	(106)	(7)	(13)	(132)
Transfers in/(out)	30	–	–	–	(30)	–
Exchange rate movements	–	–	(68)	(1)	(11)	(80)
Benefit obligations at end of period	8,986	789	3,438	51	229	13,493
2005						
Plan assets:						
Fair value at start of period	8,034	538	3,366	–	221	12,159
Expected return on plan assets	481	32	177	–	16	706
Employer contributions	13	12	37	7	6	75
Employee contributions	37	–	21	–	1	59
Benefits paid	(434)	(39)	(146)	(7)	(20)	(646)
Actuarial gain on plan assets	830	90	286	–	21	1,227
Exchange rate movements	–	–	(98)	–	15	(83)
Fair value at end of period	8,961	633	3,643	–	260	13,497
Benefit obligations:						
Benefit obligations at start of period	7,826	749	3,267	171	308	12,321
Current service cost	120	–	36	2	5	163
Interest cost	411	39	149	8	16	623
Employee contributions	37	–	21	–	1	59
Past service cost	–	–	24	–	–	24
Settlements	3	–	–	–	–	3
Disposal of group undertakings	–	–	–	(33)	–	(33)
Benefits paid	(434)	(39)	(146)	(7)	(20)	(646)
Actuarial loss on benefit obligation	931	77	326	18	31	1,383
Exchange rate movements	–	–	(97)	(3)	8	(92)
Benefit obligations at end of period	8,894	826	3,580	156	349	13,805

38. Pensions and post-retirement benefits continued

The history of plan assets, benefit obligations and actuarial gains or losses is as follows:

	2006	2005	2004
Fair value of plan assets at end of period (£m)	13,720	13,497	12,159
Experience adjustments on plan assets:			
Amount (£m)	92	1,227	551
Percentage of plan assets (%)	1	9	5
Present value of benefit obligations at end of period (£m)	13,493	13,805	12,321
Actuarial adjustments on benefit obligations:			
Changes in assumptions (£m)	365	(1,224)	(538)
Experience losses (£m)	(233)	(159)	(77)
Total actuarial gains/(losses) on benefit obligations (£m)	132	(1,383)	(615)
Experience losses as a percentage of benefit obligations (%)	2	1	1

In accordance with the transitional provisions for the amendments to IAS 19 as published in December 2004, the disclosures above are only determined prospectively from the date of transition to IFRS, being 4 January 2004, onwards. Cumulative actuarial gains recorded in the statement of recognised income and expense since this date are £4m.

The experience adjustments on benefit obligations in 2006 include a £50m charge in relation to the impact of revised commutation factors within the BS scheme, as agreed by the trustees during the year.

Forecast benefit payments over the next 10 years, in relation to the Group's pension and post-retirement benefit schemes and reflecting future service as appropriate, fall due as follows:

	£m
2007	700
2008	723
2009	749
2010	773
2011	798
2012-2016	4,270

The estimated employer contributions to the BS scheme and to the SPH scheme for 2007 are £70m and €55m respectively. Monthly payments of £2m are being made to the CES scheme in respect of past service funding requirements; these payments are subject to review at future actuarial valuations. Additional payments will also be made to the CES scheme, where necessary, to address any funding strains resulting from early retirements. The employer contributions for 2007 in relation to other schemes are forecast to be consistent with 2006 levels.

39. Acquisition

On 31 August 2006, Corus completed the purchase of the 25% holding of SSAB Tunnplat AB in Cogent Power Limited for a consideration of £20m. Cogent was already a 75% owned subsidiary of Corus and became a wholly owned subsidiary on completion. The total consideration was applied as shown below:

	£m
Acquisition of minority share of net assets (Note 31)	6
Goodwill arising on the transaction (Note 10)	4
Consideration paid for minority shareholder ordinary shares in Cogent Power	10
Repayment of minority shareholder preference shares (Note 21(x))	8
Repayment of minority shareholder loan notes, included within other loans	2
Total consideration paid	20

40. Disposals

- (i) On 1 August 2006 Corus completed the sale of its downstream aluminium rolled products and extrusions businesses to Aleris International Inc. for a gross consideration of €826m (approximately £564m). The results of these businesses during the period are considered to be material to the Group and have been classified as discontinued operations. The net proceeds after deducting pension liabilities, net debt and minority interests were £477m and are reconciled to the gain on disposal as shown below. The final consideration payable remains subject to adjustment based upon the finalisation of the net working capital delivered and net debt transferred to be agreed as part of the completion accounts drawn up by Corus.

	£m	£m
The net assets disposed of were as follows:		
Intangible assets	(5)	
Property, plant and equipment (including loose plant, tools and spares of £8m)	(323)	
Other financial assets	(22)	
Deferred tax assets	(8)	
Inventories	(260)	
Trade and other receivables	(148)	
Cash and cash equivalents	(22)	
Trade and other payables	190	
Borrowings	78	
Retirement benefit obligations	72	
Tax liabilities	1	
Other financial liabilities	1	
Provisions	17	
Deferred tax liabilities	34	
Deferred income	1	
Minority share of these net assets	20	
Net assets disposed of		(374)
Consideration satisfied by:		
Gross consideration	564	
Deduction for pension liabilities	(67)	
Deduction for minorities and net debt	(20)	
Cash proceeds received	477	
Applied for settlement of internal indebtedness	(62)	
Cash consideration		415
Attributable goodwill		(14)
Cash flow hedge reserves transferred on disposal		12
Tax on cash flow hedge reserves transferred on disposal		(8)
Cumulative foreign exchange adjustments transferred on disposal		1
Transaction fees		(10)
Net taxation credits arising on disposal		3
Other costs arising on the disposal		(16)
Gain on disposal (included within profit after tax from discontinued operations)		9

40. Disposals continued

- (ii) On 12 May 2006 Cogent Power Limited, a subsidiary of Corus UK Limited, announced that it had signed a sale and purchase agreement with Bavaria Industriekapitale AG for the sale of Cogent's lamination businesses, which produce electrical steel laminations in Germany, Hungary and the UK. The sale was completed on 17 June 2006.

	Total £m
The net liabilities disposed of were as follows:	
Property, plant and equipment (including loose plant, tools and spares of £2m)	(24)
Inventories	(18)
Trade and other receivables	(66)
Tax assets	(2)
Cash and cash equivalents	5
Trade and other payables	60
Retirement benefit obligations	45
Provisions	1
Deferred income	1
Net liabilities disposed of	2
Settlement of internal indebtedness	(6)
Cumulative foreign exchange adjustments transferred on disposal	(1)
Transaction fees	(2)
Loss on disposal	(7)

The loss on disposal of Group undertakings included within Group operating profit may be analysed as follows:

	£m
Loss on disposal of lamination business	(7)
Net working capital releases from prior year disposal (including cash received of £2m)	4
	(3)

- (iii) The net cash flow arising on all disposals may be analysed as follows:

	£m
Cash proceeds received	479
Settlement of internal indebtedness	(68)
Transaction fees	(12)
Cash and cash equivalents disposed of	(17)
	382

41. Related party transactions

The table below sets out details of transactions and loans between Corus and its joint ventures and associates.

	2006 £m	2005 £m	2004 £m
Sales to joint ventures and associates	188	173	176
Purchases from joint ventures and associates	79	78	93
Outstanding loans to joint ventures and associates	2	2	2

Aggregate compensation for key management personnel, being the Board of directors and other Executive committee members was as follows:

	2006 £m	2005 £m	2004 £m
Short-term employee benefits	7	7	5
Post employment benefits	1	2	2
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	3	2	1
	11	11	8

42. Post balance sheet events

- (i) On 20 October 2006 the boards of Corus, Tata Steel and Tata Steel UK originally announced that they had reached agreement on the terms of a recommended acquisition of the entire issued and to be issued share capital of Corus, at a price of 455p in cash for each Corus share. This was to be implemented by means of a scheme of arrangement under section 425 of the Companies Act 1985, with the relevant scheme document sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderúrgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475p per ordinary share. This proposal did not amount to a firm intention to make an offer and was subject to certain pre-conditions, including completion of due diligence, finalisation of financing arrangements and a recommendation from the Corus Board.

Following this approach, as it did for Tata Steel UK, Corus provided information and made senior management available to enable CSN to meet its pre-conditions and complete its due diligence. Whilst this process was ongoing, and on the recommendation of the Corus Board, on 4 December 2006 shareholders voted to adjourn, until 20 December, the EGM and the court meeting that had been convened in relation to the Tata scheme of arrangement.

On 11 December 2006, the boards of Corus, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515p for each Corus share. This followed an announcement the previous day, on 10 December 2006, that the boards of Corus, Tata Steel and Tata Steel UK had reached agreement on the terms of a revised recommended acquisition at a price of 500p for each Corus share.

The Panel on Takeovers and Mergers (the Panel) announced on 19 December 2006 that the final date on which Tata Steel UK and CSN could revise their offers for the Company was 30 January 2007. Following this, on 20 December 2006, at the reconvened EGM and court meeting, upon the recommendation of the Corus Board, shareholders voted to adjourn those meetings until further notice.

The Panel subsequently announced during January 2007 that in order to provide an orderly resolution to this competitive situation, an auction process would be held to establish final bids from both Tata Steel and CSN. This auction process began on 30 January and on 31 January 2007 the Panel announced the result of the auction procedure.

The Board of Corus subsequently recommended the Tata Steel offer at a price of 608p per share, which was 5p higher than the final bid by CSN of 603p per share. This represented the end of what the Corus Board considered to be an equitable and thorough process to secure the right future for Corus and the best value for its shareholders. In particular, the final revised offer price represented a premium of 68.7% to the average closing mid-market share price of 360.5p per Corus share for the 12 months ended 4 October 2006, being the last business day prior to Tata Steel's original announcement that it was evaluating various business opportunities including Corus.

Shareholders voted to approve the Tata scheme of arrangement, at the final price of 608p per share, at an EGM and court meeting held on 7 March 2007. Corus' shares were subsequently suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007 and the scheme became wholly effective on 2 April 2007.

- (ii) On 13 February 2007 Corus Nederland BV, a wholly owned subsidiary of Corus Group plc, issued a consent for solicitation for holders of its NLG335m Convertible notes due 2007, in conjunction with the acquisition noted above. On 4 April 2007, Corus completed the early repayment of these bonds, with an associated early redemption premium payable of €22m (approximately £15m).
- (iii) On 27 April 2007 a voluntary notice was given by the Company to the relationship banks to cancel its revolving credit facility. In addition, on 30 April 2007 a £3,670m senior secured facilities agreement was signed by Corus' new parent company, Tata Steel UK Limited, in order to support the financing of the acquisition and future working capital requirements for the enlarged group. These new facilities, which contain both term debt and revolving credit elements have final maturities between five and seven years, with the term debt subject to a scheduled amortisation programme. The facilities are also subject to financial covenants including; cash flow to net debt service; maximum net debt to EBITDA; free cash flow to net finance charges; and maximum capital expenditure levels.

43. Main subsidiaries and investments

The most important subsidiary undertakings, joint ventures and associates of the Group at 30 December 2006 are set out below. A complete list of subsidiary undertakings, joint ventures and associates 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>Hong Kong</i>
Corus UK Limited (a)	Corus Asia Limited
Cogent Power Limited	
Orb Electrical Steels Limited	<i>Hungary</i>
	Corus Hungary kft
<i>Belgium</i>	
Corus International Services NV	<i>Ireland (Republic of)</i>
	The Steel Company of Ireland Limited
<i>Brazil</i>	
Corus International Representações Do Brasil LTDA	<i>Italy</i>
	Corus Italia Srl
<i>Canada</i>	
Cogent Power Inc	<i>India</i>
	Corus India Limited
<i>China</i>	
Corus Building Systems (Guangzhou) Limited	<i>Latvia</i>
	SIA Corus Building Systems
<i>Czech Republic</i>	
Corus Central Europe sro	<i>Malaysia</i>
	Corus Metals (Malaysia) Sdn Bhd
<i>Denmark</i>	
Corus Byggesystemer AS	<i>Netherlands</i>
	Aluminium Delfzijl BV
<i>Finland</i>	Corus Met BV
Corus Finland Oy	Corus Nederland BV (b)
	Corus Service Centre Maastricht BV
<i>France</i>	Corus Staal BV
Corus Bâtiment et Systèmes SA	Corus Tubes BV
Corus France SA	Corus Vlietjonge BV
Myriad SA	Namascor BV
Corus Rail France SA	S.A.B.-Profiel BV
Unitol SA	
Sacra Nord SA	<i>New Zealand</i>
	Corus New Zealand Limited
<i>Germany</i>	
Blume Stahlservice GmbH	<i>Norway</i>
Corus Aluminium Voerde GmbH	Corus Norge AS
Corus Degels GmbH	Corus Packaging Plus Norway AS
Fischer Profil GmbH	
Hille & Müller GmbH	

43. Main subsidiaries and investments continued

<i>Poland</i> Corus Polska Sp. zo.o	<i>Turkey</i> Corus Yasan Metal Sanayi ve Ticaret AS (62.5% owned)
<i>Portugal</i> Corus-Sistemas Constructivos e Revestimentos Metalicos LDA	<i>Ukraine</i> Corus Ukraine LLC
<i>Singapore</i> Corus Building Systems Pte Limited	<i>United Arab Emirates</i> Corus Middle East FZE
<i>Spain</i> Corus Metal Ibérica SA Corus Laminación y Derivados SL	<i>United States of America</i> Apollo Metals Limited Corus America Inc Thomas Steel Strip Corp
<i>Sweden</i> Surahammar Bruks AB	Insurance underwriting for certain risks of the Group: <i>Isle of Man</i> Crucible Insurance Company Limited
<i>Switzerland</i> Montana-Bausysteme AG	Other undertakings: <i>England and Wales</i> UK Steel Enterprise Limited
<i>Thailand</i> Corus Metals (Thailand) Limited	

Joint ventures and associates

	Products	Annual sales £m		Issued capital Number of shares	% held
<i>England and Wales</i>					
Caparo Merchant Bar plc	Light sections	104	ordinary shares of £1	2,466,667	25
GrantRail Limited	Railtrack maintenance and renewals	109	ordinary shares of £1	4,000,000	50
<i>Netherlands</i>					
HKS Scrap Metals BV	Purchase and sale of scrap	241	shares of €454	40,000	50
Laura Metaal Holding BV	Trading and processing of non-prime metal	84	shares of €454	5,600	49
Danieli Corus Technical Services BV	Supply of engineering, proprietary equipment contracting in the metals industry	50	shares of €355	41,750	50
<i>Norway</i>					
Norsk Stål AS	Stockholders of strip	217	shares of NOK1,000	63,500	50
Norsk Stål Tynnplater AS	and long products	52	shares of NOK1,000	26,500	50
<i>Turkey</i>					
Corus Celik Ticaret AS	Intermediary in the trade of finished steel products	2	shares of YTL1	80,000	50

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

- (a) The Company only owns shares directly in those marked (a) (Corus UK Limited 100%). All other undertakings are owned by other subsidiaries of the Company.
- (b) Corus Nederland BV and each of its subsidiaries have prepared accounts to 31 December 2006 for inclusion in these Group accounts, in accordance with their local statutory requirements. Where appropriate, adjustments have been made on consolidation for any material differences arising in the period 30 December 2006 to 31 December 2006.

Financial summary

With effect from 4 January 2004, Corus has prepared its consolidated financial statements in accordance with IFRS. Accordingly, financial data for the 2002 and 2003 fiscal years has been omitted from the following presentation. The consolidated income statement and consolidated balance sheet five year history will be extended as further IFRS reporting continues.

On 1 August 2006 Corus completed the sale of its downstream aluminium rolled products and extrusions businesses. As required by IFRS 5 these businesses have been revised as discontinued operations and the presentation of all comparative periods have been restated for this reclassification.

In addition, at Corus' AGM on 9 May 2006 shareholders' approved the consolidation of Corus' existing share capital. One new ordinary share of 50p was issued for every 5 existing shares of 10p. Earnings and dividends per share for all comparative periods have been restated to reflect this new basis.

Consolidated income statement

	2004 £m	2005 £m	2006 £m
Group turnover			
United Kingdom	2,544	2,653	2,780
Other European	4,365	4,801	5,100
North America	744	660	740
Other areas	720	1,041	1,113
	8,373	9,155	9,733
Total operating costs	(7,756)	(8,512)	(9,276)
Group operating profit	617	643	457
Finance costs	(123)	(127)	(202)
Finance income	12	31	34
Share of post-tax profits of joint ventures and associates	21	1	24
Profit before taxation	527	548	313
Taxation	(119)	(116)	(119)
Profit after taxation from continuing operations	408	432	194
Profit after taxation from discontinued operations	33	19	35
Profit after taxation	441	451	229
Attributable to:			
Equity holders of the parent	447	452	223
Minority interests	(6)	(1)	6
	441	451	229
Basic earnings per ordinary share from continuing operations	46.40p	48.14p	21.01p
Basic earnings per ordinary share from discontinued operations	3.94p	2.70p	3.91p
Dividend per ordinary share	–	2.50p	7.75p

Consolidated balance sheet

	2004 £m	2005 £m	2006 £m
Non-current assets	3,577	3,496	3,668
Current assets	3,714	4,446	4,412
TOTAL ASSETS	7,291	7,942	8,080
Current liabilities	(2,397)	(2,467)	(2,348)
Non-current liabilities	(1,836)	(2,097)	(1,798)
TOTAL LIABILITIES	(4,233)	(4,564)	(4,146)
NET ASSETS/TOTAL EQUITY	3,058	3,378	3,934

Other information – total operations

		2002	2003	2004	2005	2006
Capital expenditure	£m	n/a	n/a	375	423	449
Average number of employees	000s	52	50	49	48	45
Turnover per employee	£000s	139	158	192	210	234
Employment costs: turnover	%	n/a	n/a	19.2	18.2	15.5
Liquid steel production	mt	17.1	19.4	19.5	18.7	18.8
Research and development expenditure (gross)	£m	n/a	n/a	71	75	79
UK sales of the carbon steel divisions	£m	1,984	2,085	2,544	2,653	2,780
UK consumption of main finished steel products:	mt					
Within Corus' range		10.7	10.1	10.9	9.1	10.1
Outside Corus' range		2.0	2.7	2.8	2.6	2.9
		12.7	12.8	13.7	11.7	13.0
UK consumption of main finished steel products within Corus' range was met by:	mt					
Corus' deliveries		5.4	5.3	5.5	4.7	5.0
Other UK steel companies' deliveries		0.6	0.4	0.7	0.7	0.7
Imports		4.7	4.4	4.7	3.7	4.4
		10.7	10.1	10.9	9.1	10.1
Corus' UK market share	%	50	52	51	52	51

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. Certain sterling amounts have been translated into euros at the rates indicated below. Such translations should not be construed as representations that the sterling amounts represent, have been or could be converted into, euros at that or any other rate.

On 1 August 2006 Corus completed the sale of its downstream aluminium rolled products and extrusions businesses. As required by IFRS 5 these businesses have been classified as discontinued operations and the presentation of all comparative periods has been revised for this reclassification.

In addition, at Corus' AGM on 9 May 2006, shareholders approved the consolidation of Corus' existing share capital. One new ordinary share of 50p was issued for every 5 existing shares of 10p. Earnings and dividends per share for all comparative periods have been restated to reflect this new basis.

Consolidated income statement

	2004 €m	2005 €m	2006 €m
Group turnover			
United Kingdom	3,735	3,871	4,074
Other European	6,408	7,006	7,474
North America	1,092	963	1,084
Other areas	1,057	1,519	1,631
	12,292	13,359	14,263
Total operating costs	(11,386)	(12,420)	(13,594)
Group operating profit	906	939	669
Finance costs	(181)	(185)	(296)
Finance income	18	45	50
Share of post-tax profits of joint ventures and associates	31	1	35
Profit before taxation	774	800	458
Taxation	(175)	(169)	(174)
Profit after taxation from continuing operations	599	631	284
Profit after taxation from discontinued operations	48	28	51
Profit after taxation	647	659	335
Attributable to:			
Equity holders of the parent	656	660	326
Minority interests	(9)	(1)	9
	647	659	335
	€	€	€
Basic earnings per ordinary share from continuing operations	0.68	0.70	0.31
Basic earnings per ordinary share from discontinued operations	0.06	0.04	0.06
Dividend per ordinary share	–	0.04	0.11

The income statement has been translated at the average rate for the period of €1.4654 (2005: €1.4592; 2004: €1.4681) to £1.00.

Consolidated balance sheet

	2004 €m	2005 €m	2006 €m
Non-current assets	5,052	5,088	5,444
Current assets	5,246	6,471	6,548
TOTAL ASSETS	10,298	11,559	11,992
Current liabilities	(3,386)	(3,591)	(3,485)
Non-current liabilities	(2,593)	(3,052)	(2,668)
TOTAL LIABILITIES	(5,979)	(6,643)	(6,153)
TOTAL EQUITY	4,319	4,916	5,839

The balance sheet has been translated at the period end rate of €1.4842 (2005: €1.4554; 2004: €1.4125) to £1.00.

Ancillary information

History and development of Corus

Since 1945, the UK steel industry has undergone fundamental changes of structure and ownership. It was nationalised in 1949, substantially denationalised from 1953 onwards and then largely renationalised in 1967, when BSC was formed from 14 of the major UK steel producing companies. On 5 December 1988, HM Government disposed of substantially all of the equity of British Steel in an offering made in the UK, the United States, Canada, Europe and Japan. British Steel's ordinary shares were traded on the London Stock Exchange and, in the form of American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs), on the New York Stock Exchange up to and including 5 October 1999.

On 6 October 1999, British Steel merged with Koninklijke Hoogovens to form a new group whose parent company is Corus Group plc. On that date British Steel became a wholly-owned subsidiary of Corus Group plc. On 8 October 1999, British Steel was re-registered as a private company.

The merger was implemented by the acquisition of British Steel by Corus Group plc, the new UK holding company, pursuant to a scheme of arrangement of British Steel under section 425 of the Companies Act 1985 and a public offer by Corus for the Hoogovens ordinary shares.

Under the terms of the merger, on 6 October 1999, British Steel shareholders received 1 ordinary share in Corus in exchange for each British Steel ordinary share held and either 35p in cash or 35p in nominal amount of Corus Floating Rate Unsecured Loan Notes 2006 (Loan Notes) per existing British Steel share (approximately £694m in total). Holders of British Steel ADSs received Corus ADSs representing 10 ordinary shares in Corus and US\$5.8205 cash for each ADS held. Hoogovens ordinary shareholders received 29.18 Corus ordinary shares in exchange for each Hoogovens ordinary share. Upon completion of the merger, the former British Steel shareholders held approximately 65% and the former Hoogovens ordinary shareholders held approximately 35% of the issued ordinary share capital of Corus. Hoogovens convertible bonds, which were convertible into Hoogovens ordinary shares, became exchangeable for Corus ordinary shares upon completion of the merger.

Corus was incorporated in the name of BSKH plc in England and Wales on 16 July 1999 and was established for the purpose of the merger. The name was subsequently changed to Corus Group plc on 28 September 1999, prior to the merger. The corporate headquarters are in London. The address and telephone number of Corus is shown on page 154.

From 6 October 1999, Corus ordinary shares were traded on the London Stock Exchange. They were also traded, in the form of ADSs, evidenced by ADRs, on the New York Stock Exchange.

On 12 November 2003 the Company announced a placing and open offer of 5 new ordinary shares for 12 old ordinary shares

to raise approximately £307m before expenses (£291m after expenses). 1,304m new ordinary shares were offered at a price of 23.5p per share. This share issue was approved at an EGM on 5 December 2003, and proceeds were received on 11 December 2003.

Prior to the issue of the new ordinary shares, the nominal value of 50p of each old ordinary share exceeded the proposed issue price of 23.5p per new ordinary share. As a matter of company law, it was not possible for the Company to issue shares at less than their nominal value and, therefore, in order to effect the placing and open offer the existing issued ordinary shares were subdivided and converted from 1 old ordinary share of 50p into 1 new ordinary share of 10p and 1 deferred share of 40p, and each existing but unissued ordinary share was converted into 5 new ordinary shares of 10p. This resulted in 9,478,827,378 new ordinary shares and 3,130,418,153 deferred shares being created under a share capital reorganisation.

Prior to October 2003, Corus Group consisted of 20 main business units, focused on specific markets, products and processes. From October 2003, these business units were structured into four main divisions and a speciality portfolio: Strip Products, Long Products, Aluminium, Distribution & Building Systems, and Speciality Portfolio. Subsequently the Speciality Portfolio was disbanded and the constituent business units were reallocated to the four main divisions. The Group has reported on this basis from 2004.

At the AGM on 9 May 2006 the Corus Board proposed, and the shareholders approved, a consolidation of the ordinary shares of the Company, as it was expected that this should reduce volatility in the Company's share price, thereby enabling a more consistent valuation for the Company. The effect of the share capital consolidation was that shareholders on the register of members of the Company at 6.00pm on 12 May 2006 exchanged 5 existing ordinary shares of 10p each in the capital of the Company (each an 'existing share') for 1 new ordinary share of 50p in the capital of the Company (each a 'new ordinary share') and so on in proportion for any other number of existing shares then held. The proportion of the issued share capital of the Company held by each shareholder following the share capital consolidation was, save for fractional entitlements, unchanged. Apart from having a different nominal value, each new ordinary share also carried the same rights as an existing share.

Fractional entitlements arising from the share consolidation were aggregated and sold in the market on 15 May 2006 on behalf of the relevant shareholders, and payment in respect of the proceeds of sale (net of any commissions, dealing costs and administrative expenses) were then made in due course. Dealings in the new ordinary shares commenced on 15 May 2006. All options and awards that were then currently outstanding under the Company's employee share plans were changed to reflect the consolidation, subject to the rules of each plan and (where relevant) UK Inland Revenue approval.

In connection with the share consolidation, the Company adjusted the ratio of ordinary shares to ADSs such that each ADS represented 2 ordinary shares. This did not in itself cause a change in the price of each ADS, nor did it have an impact on the value of a holder's aggregate holding of ADSs.

On 20 October 2006 the boards of Corus, Tata Steel and Tata Steel UK originally announced that they had reached agreement on the terms of a recommended acquisition of the entire issued and to be issued share capital of Corus, at a price of 455p in cash for each Corus share. This was to be implemented by means of a scheme of arrangement under section 425 of the Companies Act 1985, with the relevant scheme document sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderúrgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475p per ordinary share. This proposal did not amount to a firm intention to make an offer and was subject to certain pre-conditions, including completion of due diligence, finalisation of financing arrangements and a recommendation from the Corus Board.

Following this approach, as it did for Tata Steel UK, Corus provided information and made senior management available to enable CSN to meet its pre-conditions and complete its due diligence. Whilst this process was ongoing, and at the recommendation of the Corus Board, on 4 December 2006 shareholders voted to adjourn, until 20 December, the EGM and the court meeting that had been convened in relation to the Tata Steel scheme of arrangement.

On 11 December 2006, the Boards of Corus, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515p for each Corus share. This followed an announcement during the previous day, on 10 December 2006, that the boards of Corus, Tata Steel and Tata Steel UK had reached agreement on the terms of a revised recommended acquisition at a price of 500p for each Corus share.

The Panel on Takeovers and Mergers (the Panel) announced on 19 December 2006 that the final date on which Tata Steel UK and CSN could revise their offers for the Company was 30 January 2007. Following this, on 20 December 2006, at the reconvened EGM and court meeting, upon the recommendation of the Corus Board, shareholders voted to adjourn those meetings until further notice.

The Panel subsequently announced during January 2007 that in order to provide an orderly resolution to this competitive situation, an auction process would be held to establish final bids from both Tata Steel and CSN. This auction process began on 30 January and on 31 January 2007 the Panel announced the result of the auction procedure.

The Board of Corus subsequently recommended the Tata Steel offer at a price of 608p per share, which was 5p higher than the final bid by CSN, of 603p per share. This represented the end of what the Corus Board considered to be an equitable and thorough process to secure the right future for Corus and the best value for its shareholders. In particular, the final revised offer price represented a premium of 68.7% to the average closing mid-market share price of 360.5p per Corus share for the 12 months ended 4 October 2006, being the last business day prior to Tata Steel's original announcement that it was evaluating various business opportunities including Corus.

Shareholders voted to approve the Tata Steel scheme of arrangement, at the final price of 608p per share, at an EGM and court meeting held on 7 March 2007. Corus' shares were subsequently suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007 and the scheme became wholly effective on 2 April 2007.

Aluminium businesses

In March 2002 Corus announced that, following a reappraisal of its position in the global aluminium industry, it was to offer its Aluminium businesses for sale. On 16 August 2002 Corus announced that it had agreed to sell a 20% interest it had in the Aluminerie Alouette smelter in Canada to Alcan for US\$165m (approximately £107m) in cash, with a consideration for working capital on completion. This sale took place in September 2002.

On 23 October 2002 Corus announced that it had agreed in principle to the sale of its aluminium rolled products and extrusions businesses to Pechiney S.A. for €861m (approximately £543m). It was intended that a definitive sale and purchase agreement would be entered into following completion of internal consultation, advice and approval processes. However, the Supervisory Board of Corus Nederland BV decided on 10 March 2003 to reject the recommendation to proceed with the sale. On 11 March 2003 Corus Group plc announced it would commence proceedings before the Enterprise Chamber of the Amsterdam Court of Appeal to seek redress in respect of this decision. However, this request was unsuccessful and, as no appeal procedure was available to resolve the issue in time for the sale to proceed, Corus accepted the Court's decision as final. Pechiney was informed that Corus would not now proceed with the sale and, as a result, a break fee of €20m was paid to Pechiney in 2003.

On 5 February 2004 Corus announced it was entering the early stages of a process to actively consider the options for its aluminium businesses, which may lead to discussions with third parties. Corus further announced on 16 March 2006 that it had signed a letter of intent for Aleris International Inc. to acquire Corus' aluminium rolled products and extrusions businesses for a gross consideration of €826m (approximately £564m). This disposal was completed on 1 August 2006.

Stainless steel products

In September 2000, a proposed merger between Outokumpu Steel Oyj and Avesta Sheffield was announced. This merger was completed on 22 January 2001, creating AvestaPolarit Oyj Abp, one of the world's largest stainless steel producers. Until 1 July 2002, Corus had a 23% holding in AvestaPolarit Oyj Abp. Corus had a holding in Avesta Sheffield prior to the merger of 51%.

On 1 July 2002, Corus announced the sale of its stake in AvestaPolarit Oyj Abp to Outokumpu Oyj for €6.55 per share in cash, plus €25m in cash as consideration for the termination of the shareholders' agreement between Corus and Outokumpu Oyj entered into in connection with the formation of AvestaPolarit Oyj Abp in January 2001. The total proceeds amounted to approximately €555m (approximately £356m).

Prior to Corus' sale of its holding in AvestaPolarit Oyj Abp, AvestaPolarit Oyj Abp had an annual stainless steel melting capacity of about 2mt. It produced a range of grades of stainless steel, typically each with different properties, by varying the levels of chromium, nickel and molybdenum. Molten steel was typically cast into either slabs or billets. These slabs were then generally rolled into coil or into heavy plate. The coil processing systems in Tornio, Avesta, Nyby, Kloster and Sheffield were the core business of AvestaPolarit Oyj Abp. Hot rolled coil was subject to further processing for use in both household and industrial applications, including the food, petrochemical and construction industries. Cold rolled coil was also used as the feedstock for the manufacture of welded pipe and tube, fittings and precision strip. Tubes and fittings were used primarily for the transport of corrosive gases in the process industry and precision strip was used for cutting edge applications, heat exchangers and a wide range of other end uses. Billets were typically rolled into bar or rod which could be drawn into smaller diameter bar or wire. The heavy plate was commonly used in the pulp and paper industry, oil and gas, power plants and chemical tankers.

AvestaPolarit Oyj Abp had sales and distribution channels in 52 countries, including company owned sales units and a number of independent outlets.

Exchange rates

On 25 April 2007 the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') was US\$2.004 to £1.00.

The following table sets forth, for periods and dates indicated, certain information concerning the Noon Buying Rate, expressed in US dollars per £1.00:

Financial period ended	Average(a)	High	Low	Period end
28 December 2002	1.502	1.604	1.409	1.602
3 January 2004	1.635	1.790	1.550	1.790
1 January 2005	1.833	1.948	1.754	1.916
31 December 2005	1.820	1.929	1.714	1.719
30 December 2006	1.843	1.979	1.719	1.959

Month ended	High	Low
30 September 2006	1.905	1.863
31 October 2006	1.908	1.855
30 November 2006	1.969	1.888
31 December 2006	1.979	1.946
31 January 2007	1.985	1.931
28 February 2007	1.970	1.944

(a) The average of the Noon Buying Rates on the last day of each month during the applicable period.

EC regulatory regime

Since the expiry of the Treaty of Paris on 23 July 2002, all steel products have been subject to the Treaty of Rome, which is of indefinite duration. The European Commission is responsible for implementing the objectives of EC Treaties.

State aid

With the expiry of the Treaty of Paris on 23 July 2002, the EU has become subject to a single state aid regime under the Treaty of Rome. Specific policies are in place in relation to aid for research and development, environmental improvement, training, regional investment, and rescue and restructuring. The steel industry, however, continues to be subject to more rigorous controls, with a prohibition on regional investment aid, and rescue and restructuring aid, with the exception of limited help with plant closures. The European Commission has a duty to enforce these rules by investigating notifications of financial injections by governments of EU member states and pursuing allegations of direct and indirect subsidies made against such governments.

Pricing

Following the expiry of the Treaty of Paris on 23 July 2002, there are no longer any regulations specific to the pricing of steel products.

Competition

The Treaty of Rome and the EEA Agreement contain provisions prohibiting anti-competitive practices and agreements which relate, among other things, to the fixing or determination of prices, the restriction or control of production or the sharing of markets subject, in certain cases, to specified exemptions. In addition, both the Treaty of Rome and the EEA Agreement contain provisions prohibiting the abuse of a dominant position. The European Commission, which has strong powers of investigation and enforcement over anti-competitive agreements and conduct, has indicated its opposition to any establishment by all EU industries of arrangements contrary to the EC rules on competition. Under the UK Enterprise Act 2002, individuals can be criminally liable for being involved in certain types of cartels. Since 1 May 2004, the designated competition authorities and

courts of all EU Member States are empowered to apply EU law regulating anti-competitive agreements and conduct directly.

Sanctions

The European Commission and ESA have powers to control anti-competitive practices, agreements and conduct, and also certain concentrations with a EU or EEA dimension, which are found to significantly impede competition, by imposing fines and making orders to stop illegal practices or requiring undertakings to make appropriate disposals. The maximum level of fines for anti-competitive agreements or conduct is 10% of Group turnover worldwide. The European Commission and ESA may act or be compelled to act on the basis of complaints by third parties. In addition to the measures that can be taken by the European Commission under the Treaty of Rome and the ESA under the EEA Agreement, third parties may, in certain circumstances, bring proceedings in national courts to obtain injunctions to restrain Treaty or EEA Agreement infringements or to obtain damages to compensate them for losses caused by Treaty or EEA Agreement infringements.

Trade associations and other voluntary arrangements

Within the EU there has historically been close cooperation between the steel industry, the European Commission and governments.

Eurofer is the trade association to which all major European steel producers including Corus belong, either directly or through national trade associations. Eurofer, through its main committees, supplies and coordinates advice and information to its members and in turn represents them to, amongst others, the European Commission. These representations cover a wide range of issues where there is a need for a common industry voice, and include international trade policies (see following section), social and environmental control issues, research and development matters, market conditions and various aspects of the sale and marketing of steel products. They relate to most major steel products.

Corus is also a member of other trade associations and other industry groups in respect of its other products and activities.

International trade restrictions

Steel is an internationally traded material. Such trade is governed by the rules of the World Trade Organisation (WTO) that allow for trade remedies such as anti-dumping and countervailing actions to be taken against unfairly traded imports; some countries may also introduce trading restrictions with other regimes, from time to time, which Corus may need or choose to comply with. Since 1992, a number of such actions have been initiated in the US and other countries against certain steel products from a number of producers including Corus. Where material, details of legal proceedings involving Corus relating to these actions are given under 'Legal proceedings' below. Such actions are much less prevalent in aluminium; Corus has no involvement in any such actions relating to its continuing aluminium activities.

Through most of 2006, trade restrictions remained in place and additional duties were payable on Corus' sales into the US of certain carbon steel plates and certain stainless steel bars from the UK. However, these actions and restrictions have had no material effect on total Corus sales or results. In December 2006, the restrictions against plates ended following a unanimous decision by the US International Trade Commission (ITC) in its 5 year 'sunset' review of the case. An appeal of this ruling by US petitioners is pending. Similar reviews of the anti-dumping orders affecting certain stainless steel bars from the UK and hot rolled steel from the Netherlands (see below) are now underway. These could also result in the restrictions against such sales being removed. Both orders are also included in the EU's successful WTO 'zeroing' challenge, which should result in both orders being revoked during the first half of 2007 (see Legal proceedings below for details).

An anti-dumping investigation by the US authorities into certain imports of hot rolled coil, launched in November 2000, resulted in additional anti-dumping duties being applied on Corus sales into the US of hot rolled steel from the Netherlands. The US Department of Commerce (DOC) determined a final dumping margin of 2.59% in the investigation and cash deposits at this rate became payable on all Corus sales of hot rolled steel from the Netherlands into the US. The DOC has now completed two annual Administrative Reviews of this case to determine the actual duty liability on subject sales made during the periods under review and the new duty deposit rates on US sales going forward. The current duty deposit rate on US sales is 4.42%. More details of the reviews are provided under 'Legal proceedings' below. This order is continuing to be challenged by Corus in the US courts.

In March 2002, following a Section 201 Safeguards investigation by the US ITC, trade restrictions were imposed. These measures were terminated with effect from 5 December 2003 following a ruling by the WTO Appellate Body that the US measures were inconsistent with WTO rules. From this date, all imports into the US, including Corus sales, have been free from any additional Section 201 duties or restrictions.

Underlying such steel trade disputes has been the need to tackle the key issues of excess inefficient capacity and subsidies. An initiative launched through the OECD in September 2001 to tackle such problems was a positive development that received both industry and government support. However, the discussions on a possible steel subsidy agreement failed to make any real progress and governments decided to suspend discussions in June 2004. Formal discussions have remained in suspension since that date, although the OECD is continuing to review the situation.

Legal proceedings

As discussed above, an anti-dumping investigation by the US authorities into certain imports of hot rolled steel, launched in November 2000, resulted in additional anti-dumping duties being applied on Corus sales into the US of hot rolled steel from the Netherlands. The US DOC determined a final dumping margin of 2.59% in the investigation and cash deposits at this rate became payable on all Corus sales of hot rolled steel from the Netherlands into the US. Corus lodged a number of appeals against the rulings in this case with the US Court of International Trade (CIT) and, subsequently, with the US Court of Appeals for the Federal Circuit (CAFC). These appeals were denied. Corus subsequently petitioned the US Supreme Court for a Writ of Certiorari, asking them to review the CAFC's decision, but this was also denied. As a consequence, Corus' US legal challenge in relation to the original investigation is now over, although Corus is continuing to pursue the issue of 'zeroing' in relation to both the first and second Administrative Reviews (see below). The anti-dumping order on hot rolled steel from the Netherlands is also one of those included by the EU in its successful challenge to the WTO about US 'zeroing' practice (see below).

The first and second annual Administrative Reviews of the hot rolled case have now been completed by the DOC to determine the actual duty liability on sales subject to the order made during the periods under review and the new duty deposit rate on US sales going forward. In the first annual Administrative Review (covering the sale of product entering the US from May 2001 to October 2002), the DOC made a final determination of 4.80%. Corus lodged a number of appeals against the findings of this review with the CIT and, subsequently, with the CAFC. The CAFC denied Corus' appeal and has also denied the request for an 'en-banc' review of the appeal. Corus has now challenged this ruling by petitioning the US Supreme Court for a Writ of Certiorari.

In the second annual Administrative Review (covering entries from November 2002 to October 2003) the DOC made a final determination of 4.42%. Corus has also launched an appeal to the CIT in respect of this review. That appeal is pending.

The third annual Administrative Review (covering entries from November 2003 to October 2004) was withdrawn and entries made during this period have now been liquidated at the prevailing deposit rates.

In the fourth annual Administrative Review (covering November 2004 to October 2005) the DOC has issued a preliminary determination of a duty rate of 2.52%. A final determination is due by 15 May 2007.

US petitioners have sought to withdraw their requests for the initiation of a fifth annual Administrative Review (covering entries from November 2005 to October 2006). If the DOC agree to

terminate the proceeding as requested entries made during that period will be liquidated at the prevailing rates. Corus has objected to a termination on these grounds.

On behalf of the EU, the European Commission pursued a complaint under the dispute settlement procedures of the WTO against the use by the US DOC of 'zeroing' in calculating anti-dumping margins. This is the practice whereby sales made at prices higher than fair market value are excluded from the calculation of dumping margins and has the effect of inflating dumping margins. There is already WTO jurisprudence that 'zeroing' is WTO-incompatible. The EU complaint covered the use of 'zeroing' in both original investigations and administrative reviews. The WTO panel that was established to review the complaint issued its findings in October 2005. The panel unanimously found that the US methodology of 'zeroing' in original investigations was incompatible with WTO rules but the EU's claims in relation to the use of 'zeroing' in reviews was rejected.

The EU appealed the panel's ruling on reviews to the WTO Appellate Body, which, in a ruling referred to as 'US-Zeroing', issued its findings on 18 April 2006, upholding most of the EU's main arguments that the use of 'zeroing' was impermissible under WTO rules.

The 'US-Zeroing' decision was formally adopted by the WTO on 9 May 2006. The US announced its intention to implement this decision and a deadline of 9 April 2007 was agreed for implementation. The US DOC has modified the methodology relating to zeroing used in anti-dumping (AD) investigations involving average-to-average price comparisons. This new methodology will apply to all new and pending investigations and has been used to implement the WTO ruling concerning the specific anti-dumping investigations challenged by the EC, including the hot rolled and stainless steel bar orders affecting Corus. The DOC has now reassessed the results of the investigations underlying these two orders using the revised methodology and has issued a final determination of a revised margin of 0% in both cases and announced that both these orders will be revoked. Under US law, revocation will apply to future entries of the products subject to the order. Thus, once the orders are eventually revoked, future sales of these products into the US will be free from any additional restrictions. However, US law is silent regarding the effect, if any, of the revocation on entries prior to implementation. Pursuant to positions taken by the US in response to earlier challenges of its trade laws, revocation of the order should lead the DOC to consider what steps would be necessary to be taken in the ongoing administrative reviews affecting prior unliquidated entries under that order. Thus, revocation may also possibly result in the termination of the ongoing reviews of the hot rolled AD order, and may also result in getting unliquidated entries back.

In December 1994 the European Commission inspected various tube and pipe producers including British Steel. British Steel, together with certain other tube manufacturers, received Statements of Objections in January 1999 from the European Commission concerning alleged anti-competitive behaviour with regard to the supply of some seamless and large diameter pipes, to which British Steel replied in April 1999. An oral hearing took place in June 1999. The European Commission intimated that it did not propose proceeding with the allegations concerning large diameter pipes after that hearing. In December 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 European Commission's decision in March 2000 together with other tube manufacturers and a hearing took place in March 2003. On 8 July 2004 the European Court of First Instance published its judgement, which resulted in a reduction of the fine to €11.7m. Corus was reimbursed the amount of the reduction, with interest, in September 2004 and decided not to make any further appeal.

On 8 November 2001 an explosion occurred at the no.5 blast furnace at Port Talbot works, which led to three employee fatalities, several employees suffering severe burns and the total loss of the blast furnace. Some contractors' employees also suffered injuries. The accident was initially investigated by the police but the investigation was subsequently passed to the Health & Safety Executive. On 15 February 2006, the Health & Safety Executive served two summonses on Corus for alleged breaches of s.2(1) and s.3(1) of the Health & Safety at Work Act 1974. The case was heard in December 2006 at Swansea Crown Court, in the UK. A fine was levied and Corus was also ordered to pay associated costs, together amounting to £3m which was paid in January 2007. Corus has admitted its civil liability for the incident. Twenty six civil claims for death and personal injury have been made against Corus. Should all the relevant claimants succeed in their claims, Corus' liability could amount to several million pounds, although Corus has insurance cover in place that it expects will be able to meet these claims in full.

Following appeals by Corus Staal BV, a wholly-owned subsidiary of Corus, challenging the allocation of emissions allowances under the Dutch National Allocation Plan, the Raad van State (the highest court in the Netherlands in these matters) rendered its final judgement on 9 September 2005 and rejected all objections that Corus Staal BV had brought against its allocation. Accordingly, the original decision in respect of Corus Staal BV's allocation of emissions allowances remains intact. It is not possible for Corus to appeal this decision further.

Significant changes

Significant changes since the balance sheet date are detailed in Note 42 to the consolidated accounts.

Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document and are or may be material or contain a provision under which a member of Corus has an obligation or entitlement which is or may be material to such a member or any other member of Corus.

Securitisation programme

On 15 April 2002, Corus UK Limited and Corus Engineering Steels Limited entered into a receivables securitisation programme arranged by ING Bank NV, under which certain obligations of Corus UK Limited and Corus Engineering Steels Limited were guaranteed by Corus.

The initial facility level of £185m was increased to £275m on 15 September 2004 when the maturity of the programme was also extended to 2009. Certain side letters, dated 7 January 2005 and 1 June 2005, have amended technical provisions of this framework agreement.

The securitisation is a conduit transaction, in which receivables may be sold daily to a special purpose vehicle (SPV) sponsored by ING and incorporated in Jersey. The SPV is funded by loans (in the form of discount notes) advanced either by an ING conduit company incorporated in Delaware or a Lloyds TSB conduit company incorporated in Jersey. These conduit companies fund themselves in turn in the US and other commercial paper markets. This commercial paper funding has a credit rating and is supported by a back-up liquidity facility, intended to ensure the continuation of the funding even if there is disruption in the commercial paper markets.

Once the receivables are sold to the SPV, Corus UK continues to collect payments from customers as servicer on behalf of the SPV and Corus UK, as if the receivables had not been sold. There is an agreed monthly settlement date at which time funds collected by Corus UK as servicer in respect of receivables sold in previous months are paid to the SPV and in exchange the SPV pays cash for new receivables sold to it by Corus UK.

Share purchase agreements with Aleris International Inc.

On 23 May 2006, Corus entered into a share purchase agreement with Aleris international, Inc. (Aleris), pursuant to which Corus agreed to procure the sale and Aleris (for itself and as agent for its newly formed German and Dutch subsidiaries) agreed to procure the purchase of the entire issued share capital of Corus Hylite B.V., Corus Aluminium Rolled Products B.V., Corus Aluminium N.V., Corus Aluminium GmbH, Corus Aluminium Corp. and Hoogovens Aluminium Europe Inc., together with their subsidiaries. A separate share purchase agreement was entered into with Aleris relating to the sale of Corus L.P. (a 60% owned subsidiary based in Canada). Completion of these sales occurred on 1 August 2006.

The gross consideration for the purchase of the shares in the above companies was €826m (approximately £564m), and the net proceeds after deducting pensions liabilities, net debt and minority interests were €696m (approximately £477m). However, the final consideration payable remains subject to adjustment based upon the finalisation of the net working capital delivered and net debt transferred, to be agreed as part of the completion accounts drawn up by Corus.

Under the share purchase agreement, Corus gave customary warranties in relation to the companies being transferred and the business of those companies and Aleris gave customary warranties in relation to authorisation and sufficiency of resources. Corus and Aleris agreed to indemnify each other as appropriate if the amount of capital expenditure prior to completion differed from the budgeted amount by more or less than €3m.

In relation to environmental issues, Corus agreed to indemnify Aleris in the following terms: for the identified known issues there is no de minimis level, no basket requirement, a cap of €65m on Corus' liability and a 30 year time limit for claiming; for unlisted on-site issues there is a de minimis level of €50,000, a basket requirement of €2m, a cap of €65m on Corus' liability, a time limit of 10 years in relation to contamination and exposure issues and a time limit of 2 years in relation to non-compliance issues; for offsite issues there is no de minimis level, no basket is required, there is a warranty cap of £325m (less any claims under the warranties given by Corus) and there is a 30 year time limit for claiming. Customary seller protection provisions, including limitation of liability, were included in the share purchase agreement. Under the share purchase agreement Corus guaranteed to Aleris the full performance by Corus MET B.V. of its obligations to the companies being sold under any hedging agreements or arrangements in place. In the event of default by Corus MET B.V., Corus will procure the performance of such hedging obligations.

Pursuant to the share purchase agreement, for the 36 months following completion Corus must not, and must procure that its subsidiaries shall not, carry on a business in competition with the business carried on by the companies sold (subject to various carve outs) and for 18 months following completion Corus must not accept the custom of any person in respect of aluminium-based goods (subject to various carve outs).

Tata Implementation Agreement

Tata Steel, Tata Steel UK and Corus entered into an implementation agreement, which contained certain assurances in relation to the implementation of the Tata Steel scheme of arrangement and related matters. In particular, the implementation agreement contained the principal provisions discussed below.

Corus undertook to Tata Steel and Tata Steel UK to take certain steps to implement the scheme of arrangement in accordance with an agreed indicative timetable, including the despatch of a shareholder circular, convening the necessary court meeting and

the EGM, and taking steps to seek the court orders at the scheme hearing and the reduction hearing to make the scheme effective.

Corus' obligations under the implementation agreement to take steps to implement the scheme were subject to the fiduciary duties of the Corus directors. In summary:

- the implementation obligations would have ceased if, prior to the posting of the shareholder circular, an event or change of circumstance which was not a result of Corus breaching its obligations under the implementation agreement (a 'Relevant Event') had occurred and the Corus directors (in light of such an event and after taking legal and financial advice) had determined that to give (or not withdraw or adversely modify) a recommendation of the scheme would be a breach of their fiduciary duties or their obligations under the Takeover Code;
- the implementation obligations (other than the obligation to hold the court meeting and the EGM and obligations related thereto) would have ceased if, following the posting of the shareholder circular but prior to the holding of the meetings, a Relevant Event had occurred and the Corus directors had (in light of such an event and after taking legal and financial advice) determined that not to withdraw or adversely modify their recommendation of the scheme would be a breach of their fiduciary duties or their obligations under the Takeover Code; and
- the implementation obligations would have ceased if, following the resolutions at the court meeting and the EGM being passed by the requisite majorities but before the court had granted the scheme court order, a Relevant Event had occurred and the Corus directors had (in light of such an event and after taking legal and financial advice) determined that to seek the scheme court order at the scheme hearing (or any ancillary or preparatory step) would be a breach of their fiduciary duties or their obligations under the Takeover Code.

In addition, Corus had certain rights to seek an adjournment of the court meeting and/or the EGM where a Relevant Event had occurred and the Corus directors had (in light of such an event and after taking legal and financial advice) determined that not to do so would be a breach of their fiduciary duties or their obligations under the Takeover Code. In addition, subject to the fiduciary duties of the Corus directors, Tata Steel UK had certain rights to require, acting reasonably, the Corus directors to seek an adjournment of the court meeting and/or the EGM.

As a pre-condition to Tata Steel UK agreeing to announce the scheme, Corus agreed to pay an inducement fee to Tata Steel UK if, after the announcement of the scheme, the acquisition was withdrawn or lapsed without becoming unconditional in all respects.

Corus undertook not to solicit, encourage, initiate or otherwise seek to procure any competing proposal, nor to enter into or participate in any discussions or negotiations or correspondence relating to any competing proposal, save that Corus was not

prohibited from responding to unsolicited enquiries from third parties (nor from providing due diligence information to them) to the extent that the Corus directors would have considered that they would have been in breach of their fiduciary duties not to do so. Corus was also free to provide any information duly requested by any regulatory authority.

Corus also agreed to inform Tata Steel UK promptly of any approach received from a third party relating to a competing proposal, including the material terms thereof. It also agreed to inform Tata Steel UK of any request for information by a third party received by it under Rule 20.2 of the Takeover Code.

Corus undertook that prior to the earlier of the effective date or the termination of the implementation agreement in accordance with its terms, it would not without the prior written consent of Tata Steel UK:

- take any action requiring the approval of Corus shareholders in general meeting or the consent of the Panel under Rule 21 of the City Code, or enter into or agree to enter into any transaction which would require the approval of Corus shareholders under the Listing Rules;
- commit or authorise capital expenditure (other than in the normal course of business, as provided for in the current business plan for 2006 and 2007); or
- other than in the normal course of business, terminate or vary, in a material way, the terms and conditions of employment of any executive director or member of the Executive committee of Corus, or induce or cause any such person to terminate their employment contract. Corus may, however, subject to consultation with Tata Steel UK, increase the remuneration of such persons.

With effect from the date of the shareholders' circular, Corus also undertook to use all reasonable endeavours to (and to procure that members of the Corus Group should) upon the reasonable request of Tata Steel UK and Tata Steel and at the cost and expense of Tata Steel UK and Tata Steel:

- facilitate discussions with the providers of finance to the Corus Group under its, then, existing credit facilities and provide such other reasonable assistance and co-operation in relation to the same as Tata Steel UK or Tata Steel may reasonably request;
- provide such information, assistance and co-operation as Tata Steel UK or Tata Steel may have reasonably requested in relation to the financing or refinancing of the acquisition and/or of the existing financing of the Corus Group, including providing the information to enable Tata Steel UK and Tata Steel to finalise the structure of the holding companies of Corus and the post-acquisition structuring of the Corus Group, to co-operate in the preparation of any US securities filing requirements, to co-operate with prospective lenders and their advisers in conducting their due diligence, and to make senior management of the Corus Group reasonably available for presentations in connection with any syndication; and

- provide all information, assistance and access as may have been reasonably required by Tata Steel UK or Tata Steel to ensure that any accountants' and other reports required in connection with the giving of financial assistance may, if required, be given immediately after the effective date (or, if Tata Steel exercised its right to effect the acquisition by way of a takeover offer, as soon as reasonably practicable after such takeover was declared unconditional in all respects).

CSN Implementation Agreement

On 11 December 2006, CSN, CSN Acquisitions and Corus entered into an implementation agreement, in relation to the proposed pre-conditional acquisition of Corus by CSN Acquisitions which contained certain assurances in relation to the implementation of the scheme of arrangement relating to the proposed acquisition by CSN and related matters. In particular, the CSN implementation agreement contained the principal provisions set out below.

Corus undertook, subject to the satisfaction of a pre-condition that either Corus shareholders reject the scheme, or the scheme was otherwise withdrawn by Corus or lapsed, to CSN and CSN Acquisitions to take certain steps to implement the CSN scheme, in accordance with an agreed indicative timetable, including the despatch of a circular to Corus shareholders, convening a court meeting and an EGM, and taking steps to seek certain court orders at court hearings to make the CSN scheme effective.

Corus' obligations under the CSN implementation agreement to take steps to implement the CSN scheme were similar to those applicable under the implementation agreement with Tata, as presented above.

As a pre-condition to CSN Acquisitions agreeing to announce its proposed acquisition, Corus agreed to pay an inducement fee to CSN Acquisitions if:

- after the announcement of the CSN scheme, the CSN acquisition was withdrawn or lapsed without becoming unconditional in all respects, save that Corus and CSN agreed that any such withdrawal or lapse that would not have occurred but for there being any legal or regulatory issues concerning the pre-condition forming part of the proposed CSN acquisition structure should not constitute acquisition failure; and
- in addition, any of the following occurred:
 - (i) prior to the time of such acquisition failure, the Corus directors (as constituted for this purpose in accordance with the Code) either (a) did not unanimously recommend the CSN acquisition to Corus shareholders (other than where such failure to unanimously recommend was because the acquisition had been withdrawn or lapsed by reason of a condition to the CSN acquisition being invoked); or (b) having made such a recommendation, withdrew or adversely modified it; or

- (ii) (in the case where the pre-condition had been satisfied and the CSN acquisition was being made by way of the CSN scheme) following the resolutions to be proposed at each of the CSN court meeting and the EGM having been passed by the requisite majorities the Corus directors did not, in breach of the CSN implementation agreement or because their fiduciary duties required them not to do so, seek an order of the court sanctioning the CSN scheme; or
- (iii) prior to the time of acquisition failure, a public announcement of a CSN alternative proposal was made and subsequently (whether before or after the acquisition failure) such CSN alternative proposal was declared unconditional in all respects, became effective or otherwise completed.

In relation to the provisions described above, Corus would not be regarded as having withdrawn or adversely modified its recommendation where any adjournment of the CSN court meeting and/or the EGM or any postponement of the despatch of the CSN scheme document was made with the consent of CSN and CSN Acquisitions.

Nothing in the CSN implementation agreement obliged Corus to pay any amount, calculated on the date on which the CSN inducement fee became due for payment, which either the Panel determined would not be permitted by Rule 21.2 of the Code or was in excess of that which was permitted to be paid, without the prior approval of Corus shareholders, pursuant to Rule 10.2.7R of the Listing Rules of the UKLA (the 'permitted inducement fee amount'). Further, Corus, CSN and CSN Acquisitions agreed that if the aggregate amount of any inducement fee payable to CSN and any inducement fee paid to Tata Steel exceeded a permitted inducement fee amount, then the CSN inducement fee would be reduced to an amount equal to the permitted inducement fee amount less the amount of any inducement fee paid to Tata Steel.

The CSN implementation agreement could have been terminated in the following circumstances:

- by agreement in writing between CSN, CSN Acquisitions and Corus at any time;
- if the CSN scheme had not become effective (or if the CSN acquisition had been implemented by way of a takeover offer and the offer had not been declared wholly unconditional) by 31 December 2007 or such lesser period permitted or required by the Panel;
- upon service of a written notice by CSN Acquisitions on Corus stating that either the pre-condition or any of the conditions to the CSN scheme or the CSN offer which had not been waived was (or had become) incapable of satisfaction and (where capable of waiver) will not be waived, and the Panel had finally determined that the circumstances were of such material significance that it had permitted the CSN acquisition to be withdrawn;
- one month following the date of the CSN court meeting or the EGM (or such lesser period of time as may be permitted or required by the Panel), if the CSN scheme was not approved by the requisite majority of Corus shareholders at the CSN court meeting or the resolution to be put to Corus shareholders at the CSN EGM is not passed by the requisite majority at the CSN EGM and CSN Acquisitions has not exercised its right to implement the CSN acquisition by means of the CSN offer within such period;
- one month following the date of the court hearing to confirm the reduction of capital of Corus in relation to the CSN scheme if the court refused to sanction the CSN scheme and CSN Acquisitions had not exercised its right to implement the CSN acquisition by means of the CSN offer within such period; or
- if Corus paid the CSN inducement fee to CSN Acquisitions; or
- if no CSN inducement fee was payable under the CSN implementation agreement and the CSN offer was not subsequently made by CSN within such period as the Panel may have allowed.

Information for shareholders

Dividends

Cash dividends paid by Corus were in pounds sterling and exchange rate fluctuations affected the US dollar amounts received by ADR holders on conversion. The table below sets out the dividends paid and payable per share in pence and per ADS in dollars. Dividends have been restated to show the equivalent dividends payable following the impact of the share consolidation described below.

Period ended	Dividends per ordinary share		
	Interim pence	Final pence	Total pence
28 December 2002	nil	nil	nil
3 January 2004	nil	nil	nil
1 January 2005	nil	nil	nil
31 December 2005 (restated)	2.50	5.00	7.50
30 December 2006	2.75	–	2.75

Period ended	Dividends per ADS		
	Interim US\$	Final US\$	Total US\$
28 December 2002	nil	nil	nil
3 January 2004	nil	nil	nil
1 January 2005	nil	nil	nil
31 December 2005 (restated)	0.09	0.18	0.27
30 December 2006	0.10	–	0.10

Shareholders voted to approve the Tata Steel scheme of arrangement (by which the entire share capital of the Company was acquired) at the final price of 608p per share, at an EGM and court meeting held on 7 March 2007. Corus' shares were subsequently suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007. The scheme became wholly effective on 2 April 2007. No dividends were proposed between 30 December and this date.

The offer and listing

Since the merger between British Steel and Hoogovens, Corus, successor to British Steel plc, have been principally traded on the LSE. In addition, Corus ordinary shares had been listed on the Amsterdam Stock Exchange (now Euronext NV) under the Ticker Symbol CORS. Corus ADSs had been listed on the New York Stock Exchange and traded under Ticker Symbol CGA. The Bank of New York was the ADR depository.

In December 2003, consequent upon having received shareholder approval at an EGM, the nominal capital of Corus was increased from £2,200,000,000 to £2,250,000,000 and the issued share capital was subdivided and converted from 3,130,418,153 old ordinary shares of 50p each into 3,130,418,153 new ordinary shares of 10p each and 3,130,418,153 deferred shares of 40p each.

The subdivision and conversion of the shares enabled Corus to effect a placing and open offer on the basis of five new ordinary shares being offered for every twelve old ordinary shares held. The placing and open offer resulted in 1,304,340,897 new ordinary shares being issued, credited as fully paid, ranking pari passu with the existing new ordinary shares in issue on 8 December 2003.

In total, 4,434,759,050 new ordinary shares were issued and listed on 8 December 2003 on the LSE and Euronext under their existing ticker symbols. A change in per-share nominal value to Corus ADSs was effected and they continued to be traded under the existing Ticker Symbol on the NYSE. The deferred shares were not listed and were not freely transferable, which had rendered them effectively worthless and they were cancelled on 7 March 2007 under the Tata scheme of arrangement.

At Corus' AGM on 9 May 2006, shareholder's approved the consolidation of Corus' existing share capital. One new ordinary share of 50p was issued for every 5 existing shares of 10p with the new 50p shares being traded for the period 15 May 2006 to 29 March 2007 when trading was suspended.

Analysis of shareholdings at 30 December 2006

By size of holding	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
1 – 100	39,353	35.51	2,948,839	0.31
101 – 500	57,423	51.81	12,384,462	1.31
501 – 1,000	7,406	6.68	5,164,532	0.55
1,001 – 5,000	5,230	4.72	10,629,734	1.12
5,001 – 10,000	517	0.47	3,663,657	0.39
10,001 – 50,000	383	0.35	8,683,101	0.92
50,001 – 100,000	109	0.10	7,839,149	0.83
100,001 – 1,000,000	269	0.25	88,900,995	9.40
1,000,001 – Highest	121	0.11	805,340,969	85.17
	110,811	100.00	945,555,438	100.00

By category of shareholder	Holdings		Ordinary shares held	
	Number	Percentage	Number	Percentage
Male	63,156	56.99	22,528,655	2.39
Female	36,478	32.92	10,029,461	1.06
Joint Account	9,060	8.18	3,001,661	0.31
Bank	11	0.01	29,013,760	3.06
Nominee Company	1,814	1.63	720,161,087	76.17
Insurance Company	1	0.00	80	0.00
Pension Fund	7	0.01	5,971	0.00
Other Limited Company	220	0.20	111,380,828	11.78
Other Corporate Body	62	0.06	48,100,647	5.09
Public Limited Company	2	0.00	1,333,288	0.14
	110,811	100.00	945,555,438	100.00

At 30 December 2006 there were 5,600,851 ADSs representing Corus ordinary shares outstanding held of record by 602 registered holders of ADSs whose shareholdings represented approximately 0.59% of total outstanding ordinary shares on that date.

Corus shares were suspended from trading on each of the London, New York and Amsterdam Stock Exchanges on 29 March 2007.

Currently there are approximately 589 recorded holders of ADSs. Corus is aware that many ADSs are held of record by brokers and nominees and accordingly the above numbers are not necessarily representative of the actual number of persons who are the beneficial holders of ADSs or the number of ADSs beneficially held by such persons.

The Bank of New York, as Depositary, has been advised that Tata Steel UK Limited has acquired all of the ordinary shares of Corus in an offer that has been declared compulsory and accordingly, the Corus ADR programme is terminated effective 19 April 2007.

ADR holders of Corus are now entitled to receive the cash payment received for the Corus ordinary shares on a pro-rata basis. Effective 19 April 2007, ADR holders of Corus (CUSIP No. 22087M101) must surrender their ADRs to the Bank of New York on a mandatory basis for cancellation and receive payment at the net rate of \$24.00505 per ADS.

Shareholder enquiries Ordinary shares

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

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

Other enquiries

Other general information about the Group's business and copies of the Corporate Responsibility Report may be obtained from:

UK

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

Netherlands

Communications and Public Affairs, Corus, P.O. Box 10.000, 1970 CA IJmuiden, The Netherlands.
Telephone: +31 (0)251 49 19 52
Email: supportdeskcpa@corusgroup.com

Website

The Corus website address is www.corusgroup.com

Glossary of technical terms

Technical terms	Explanation
Bars	Long steel products that are rolled from billets; merchant bar and reinforcing bar (rebar) being two common categories. The former is used to fabricate furniture, stair railings, and farm equipment and the latter to strengthen concrete in highways, bridges, and buildings.
Billet	A semi-finished product that is used for long products: bars, channels or other structural shapes. Billets are normally 2 and 7 inches square.
Bloom	A semi-finished product with a rectangular cross-section that is more than 8 inches. This large cast steel shape is broken down in the mill to produce the familiar I-beams, H-beams, and sheet piling.
Coated products	Steel (generally flat products) coated with metal, plastic laminates or organic paints.
Cold reduced coil	Cold reduced flat products supplied in coils.
Continuous casting	The process whereby semi-finished products are obtained directly from liquid steel.
Crude steel	Steel at its first stage of solidification, i.e. ingots and continuously cast semi-finished products.
Electrical steels	Flat products with guaranteed properties relating to magnetic losses, induction or permeability.
Extrusion	The process of shaping aluminium by forcing it to flow through a shaped opening in a die.
Flat products	Products of rectangular cross-section, e.g. plates, strip and most coated products.
Hot rolled coil	Hot rolled flat products supplied in coils.
Ingots	Solid products obtained by pouring liquid steel into moulds to produce shapes which are suitable for hot rolling or for forging into semi-finished or finished steel products.
Liquid steel	The molten steel output of a steelmaking furnace, excluding slag.
Long products	Classification of steel products that includes bar, rod and structural products, that are long, rather than flat.
Manned capacity	The production capacity of a particular process at a given manning level.
Plates	Sheet steel with a width of more than 8 inches, with a thickness ranging from 1/4 inch to more than 1 foot.
Seamless tubes	Tubes formed by piercing and rolling an ingot or semi-finished product so that the resulting hollow has a uniform surface without the seam which appears in welded tubes.
Sections	Long products with certain cross-section shapes, usually resembling the letters H, I, L, T, U or Z.
Semi-finished products	Products of solid cross-section, i.e. billets, blooms and slabs, which have not been worked except by continuous casting or primary hot rolling.
Sheet steel	Thin, flat-rolled steel. Coiled sheet steel accounts for nearly 50% of all steel shipped domestically and is created in a hot-strip mill by rolling a cast slab flat while maintaining the side dimensions.
Slab	The most common type of semi-finished steel. Traditional slabs measure 2 to 10 inches thick, 30 to 85 inches wide and average about 20 feet long.
Strip	Flat products manufactured in a continuous or semi-continuous strip mill.
Tinplate	Cold reduced coil electrolytically coated with tin.
Vacuum degassing	An advanced steel refining facility that removes oxygen, hydrogen and nitrogen under low pressures (in a vacuum) to produce ultra-low-carbon steel for demanding electrical and automotive applications.
Welded tubes	Tubes formed by bending a flat product to tubular shape and closing the seam by welding.

Definitions

The following terms have the meanings set out alongside unless the context indicates otherwise:

Avesta Sheffield	Avesta Sheffield AB (publ), a company quoted on the Stockholm Stock Exchange, until 23 February 2001.
British Steel	British Steel Limited (formerly British Steel plc) and/or, where the context so requires, British Steel Limited (formerly British Steel plc) and its subsidiaries and/or BSC.
BSC or the Corporation	the statutory corporation known as British Steel Corporation which operated the business of Corus UK prior to 5 September 1988, and/or, where the context so requires, British Steel Corporation and its subsidiaries.
Capital expenditure	Expenditure on property, plant and equipment unless otherwise specified.
CES	Corus Engineering Steels Holdings Limited, formerly British Steel Engineering Steels Holdings Limited and UES Holdings Limited and/or, where the context so requires, its subsidiaries.
Combined Offer	the offer for sale by HM Government of the whole of the issued Ordinary share capital of British Steel plc.
Companies Act	UK Companies Act 1985, as amended by the Companies Act 1989.
Corus	Corus Group plc or, where the context so requires, Corus Group plc and its subsidiaries.
Corus UK	Corus UK Limited (formerly British Steel Limited and British Steel plc) and/or, where the context so requires, Corus UK Limited and its subsidiaries and/or BSC.
deferred shares	Corus deferred shares of 40p each.
EC	the European Community and/or, where the context so requires, the European Communities, which include the ECSC and the EC.
ECSC	the European Coal and Steel Community.
EEA	the European Economic Area established by an agreement (as adjusted by a protocol) between the EC and certain countries of EFTA (excluding Switzerland), which entered into force in 1994 and as amended ('the EEA Agreement').
EFTA	the European Free Trade Association founded in 1960 and whose current members include Iceland, Liechtenstein, Norway and Switzerland.
ESA	the EFTA Surveillance Authority that is a body set up under the EEA Agreement with responsibility for ensuring compliance with the provisions of the EEA Agreement within EFTA.
EU	the European Union which was established by the 12 Member States of the EC by the Treaty of Maastricht (signed Maastricht 1992, enacted 1993), and subsequently enlarged with the addition of Austria, Finland and Sweden which acceded to full membership on 1 January 1995 and Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia which acceded to full membership on 1 May 2004.
Group	Corus Group plc and its subsidiaries.
Head Office	the administrative office of Corus located at 30 Millbank, London SW1P 4WY, United Kingdom.
HM Government	Her Majesty's Government of the United Kingdom.
KH or Hoogovens	Corus Nederland BV (formerly Koninklijke Hoogovens NV) and/or, where the context so requires, Corus Nederland BV and its subsidiaries.
London Stock Exchange or LSE	London Stock Exchange plc.
Main carbon steel products	the basket of carbon steel products within the Corus product range as supplied to consumers and stockholders used for the evaluation of UK demand and market shares. Semi-finished products and certain other mainly project-focused products are excluded.
OECD	Organisation for Economic Cooperation and Development, an international organisation of 30 member countries that examines the economic, social and governance issues of a globalised economy.
Ordinary shares stockholders	Ordinary shares of Corus, being old ordinary shares or new ordinary shares as the context requires. steel stockists that typically purchase steel products from high-volume producers, such as Corus, and break bulk or process such purchases for subsequent resale.
tonne or t	a metric ton (1,000 kilograms) equal to 2,204.6 pounds.
Treaty of Paris	the Treaty establishing the ECSC (signed Paris 1951, enacted 1952, expired 23 July 2002).
Treaty of Rome	the Treaty establishing the EC (signed Rome 1957, enacted 1958, and amended, inter alia, by the Treaty of Maastricht).
UK	United Kingdom.

Statement of directors' responsibilities in relation to the parent company's 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:

- responsible for ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Company at any time and from which financial statements can be prepared to comply with the Companies Act 1985;
- required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit for that period; and
- responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors consider that in preparing the financial statements, which comprise the parent company balance sheet, the Presentation of parent company accounts and accounting policies, the Notes to the parent company accounts and the Report on remuneration, the Company 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, and that their preparation on a going concern basis is appropriate.

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 Shoylekov
Secretary
30 April 2007

Independent auditor's report to the members of Corus Group plc

We have audited the parent company financial statements of Corus Group plc for the year ended 30 December 2006 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on remuneration that is described as having been audited.

We have reported separately on the group financial statements of Corus Group plc for the year ended 30 December 2006.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the Directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Operational and financial highlights, the Chairman's statement, the Chief Executive's statement, the Presentation of information, the Review of the period, the Financial review, the Director's report, the Executive committee, the unaudited part of the Report on remuneration, the Financial summary, Some important data in euros, the Ancillary information, the Information for shareholders

and the Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Report on remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Report on remuneration to be audited 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 parent company financial statements and the part of the Report on remuneration to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2006;
- the parent company financial statements and the part of the Report on remuneration to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 April 2007

Parent company balance sheet

At 30 December 2006	Note	2006 £m	2005 £m
Fixed assets			
Investments in subsidiary and fellow group undertakings	2	4,522	4,440
		4,522	4,440
Current assets			
Debtors: amounts falling due after more than one year	3	16	10
Debtors: amounts falling due within one year	4	15	7
		31	17
Creditors: amounts falling due within one year	5	(88)	(22)
Net current liabilities		(57)	(5)
Total assets less current liabilities		4,465	4,435
Convertible bond		-	(203)
Other borrowings		(722)	(675)
Other financial liabilities		(10)	(8)
Creditors: amounts falling due after more than one year	6	(732)	(886)
Provisions for liabilities and charges		(1)	-
		3,732	3,549
Capital and reserves			
Called up share capital	7	1,725	1,697
Share premium account	7	389	173
Other reserves	7	796	796
Profit and loss account	7	822	883
		3,732	3,549

Approved by the Board and signed on its behalf by:

P Varin

D M Lloyd

30 April 2007

Presentation of parent company accounts and accounting policies

I Basis of preparation of parent company accounts

The separate accounts for the parent company, Corus Group plc, are presented on pages 159 to 165. They have been prepared under the historical cost convention in accordance with the Companies Act 1985, the accounting policies set out below, and following applicable accounting standards in the UK. These pages only show the individual accounts of the Company itself. All accounting policies have been applied consistently except for the adoption of an amendment to FRS 26 (IAS 39) in relation to financial guarantees, although this had no material impact, and the change in the taxation accounting policy as described in IV below.

In addition FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' was issued during 2005 but has not yet been adopted by the Company since it is not mandatory until accounting periods commencing 1 January 2007 onwards.

II Use of estimates

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.

III Share-based payments

In accordance with the transitional provisions, the Company has only applied the fair value accounting described in FRS 20 (IFRS 2) 'Share-based Payment' to grants of equity instruments made after 7 November 2002. No expense is recognised for grants made prior to that date.

The Company issues equity settled share-based payments to certain employees of subsidiary companies. These are measured at fair value at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Fair value is measured by use of actuarial models such as Black Scholes or modified binomial approaches, dependent upon the nature of vesting conditions (in particular the Company's Leveraged Equity Acquisition Plan awards are linked to Total Shareholder Return (TSR) performance which is a market condition). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period.

Where employees cease contributions into an existing sharesave scheme in order to take up an offer to participate in a new sharesave scheme, then modification accounting is applied. This means the charge for the old awards is continued to be spread over the old vesting period and any incremental charge arising from switching to the new award is spread over the new vesting period.

IV Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. This means using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

From 1 January 2006, as permitted by FRS 19 'Deferred Taxation', the Company has elected to no longer apply a discount factor to deferred tax assets and liabilities on the basis of it being a more appropriate accounting policy. There is no prior period or current year impact of adopting this change in accounting policy.

V Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at each balance sheet date 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.

VI Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The detailed accounting treatment for such items can differ, as described in the following sections:

(a) Investments

Investments are initially measured at fair value, which includes transaction expenses. In addition they are classified as either held for trading or available for sale, and are subsequently measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit and loss for the period. For available for sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss for the period. This principal is applied to all investments except for the investment in Corus UK Limited which, 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.

(b) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the individual contractual arrangements.

(c) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. These borrowings are subsequently stated at amortised cost.

(d) Convertible bonds

The Company has raised debt through the issue of convertible bonds. These bonds incorporate two key elements. First, there is the financial liability in respect of the debt element. This is measured at the net present value of future cash flows. Secondly, the bonds allow for conversion to equity at the option of the bond holder, which represents an equity embedded derivative. This embedded derivative is fair valued at each period end with changes in the fair value being taken through profit and loss as a financing item.

The interest expense on the liability component is calculated by applying the prevailing market interest rate at inception for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

On conversion of the bonds the fair value of the embedded derivative is released directly to equity.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) Derivative financial instruments and hedge accounting

In the ordinary course of business the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments are confined principally to forward foreign exchange contracts, forward rate agreements, and options. The instruments are employed as hedges of transactions included in the accounts or forecast for firm contractual commitments. These contracts do not generally extend beyond 12 months. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit and loss in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes attributable to the risk being hedged with the corresponding entry in profit and loss. Gains or losses from re-measuring the associated derivative are also recognised in profit and loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit and loss. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with gains or losses reported in profit and loss.

VII Cash flow statement and related party transactions

The Company has taken advantage of the exemption available to it under FRS 1 'Cash Flow Statements' not to prepare a statement of cash flows. The exemptions afforded by FRS 8 'Related Party Disclosures' paragraphs 3(a) and (c) have also been taken in disclosing related party transactions.

Notes to the parent company accounts

1. Result of the Company

The Company recorded a loss of £17m (2005: profit of £433m) and 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. This loss includes management recharges from subsidiary companies that reflect those costs borne directly by them on behalf of the ultimate parent company. These recharges include employee and related costs of the one employee whose contract of service is with the Company, however it is impossible to ascertain separately the element of the management charge that relates to these costs. The Company loss also reflects charges for the cost of employee share-based remuneration as described in Note 4 of the consolidated accounts on page 97.

2. Fixed asset investments

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
Cost and net book value at beginning of period	3,667	773	4,440
Additions	–	158	158
Disposals	–	(74)	(74)
Exchange translation differences	–	(2)	(2)
Cost and net book value at end of period	3,667	855	4,522

The Company's main subsidiaries and investments are listed in Note 43 of the consolidated accounts, on pages 139 and 140.

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

	2006 £m	2005 £m
Deferred tax assets	16	10
	16	10

	2006 £m	2005 £m
The movement on the deferred tax assets is as follows:		
At beginning of period	10	3
Profit and loss account	(6)	5
Credit to equity	12	2
At end of period	16	10

	2006 £m	2005 £m
The deferred tax assets arise as follows:		
Tax losses	–	8
Other timing differences	16	2
	16	10

4. Debtors: amounts falling due within one year

	2006 £m	2005 £m
Group relief receivable	14	6
Other debtors	1	1
	15	7

5. Creditors: amounts falling due within one year

	2006 £m	2005 £m
3% Convertible bond 2007	1	–
Other loans	–	3
Other creditors	87	19
	88	22

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

	2006 £m	2005 £m
Borrowings:		
3% Convertible bond 2007	–	203
7.5% Senior notes 2011	534	543
	534	746
Amounts owed to subsidiary undertakings	188	132
	722	878
Non-current financial liabilities	10	8
	732	886

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

(i) The maturity of borrowings is as follows:

	2006 £m	2005 £m
In one year or less or on demand	1	3
Between one and two years	–	203
Between two and three years	–	–
Between three and four years	–	–
Between four and five years	–	–
More than five years	722	675
	723	881
Amounts falling due within one year	1	3
Amounts falling due after more than one year	722	878

7. Reconciliation of movements in share capital and reserves

	Share capital £m	Share premium account £m	Other reserves £m	Profit and loss reserves £m	Total £m
2006					
At beginning of period	1,697	173	796	883	3,549
Loss retained	–	–	–	(17)	(17)
Early redemption of 3% €307m Convertible bond 2007 (see note iii)	23	202	–	(3)	222
Other new shares issued	5	14	–	–	19
Issue of conditional share awards	–	–	–	16	16
Deferred tax on items taken directly to reserves	–	–	–	12	12
Dividends paid	–	–	–	(69)	(69)
At end of period	1,725	389	796	822	3,732
2005					
At beginning of period	1,696	168	796	447	3,107
Adoption of FRS 25 and FRS 26	–	–	–	11	11
At beginning of period restated	1,696	168	796	458	3,118
Profit retained	–	–	–	433	433
New shares issued	1	5	–	–	6
Issue of conditional share awards	–	–	–	12	12
Deferred tax on items taken directly to reserves	–	–	–	2	2
Dividends paid	–	–	–	(22)	(22)
At end of period	1,697	173	796	883	3,549

- (i) The 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.
- (ii) All movements related to share capital and share premium, including details of share capital allotted and paid up and share-based remuneration are disclosed in Note 29 of the consolidated accounts on pages 118 to 124.
- (iii) During December 2006, €305m of the €307m Convertible bond holders exercised their conversion rights resulting in the issue of 46,632,497 new shares. The reserve movements in relation to this early redemption includes £17m due to the release of the embedded derivative option directly to equity.

Notes

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