Corus Nederland BV

Report & Accounts 2006

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Report of the Supervisory Board

The Supervisory Board (hereafter "the Board") was regularly briefed by the Board of Management (hereafter "BoM") on the activities of Corus Nederland BV (hereafter "Corus Nederland"), its Health and Safety performance, its results and its financial position. In addition, the Board discussed about the sale process of the aluminium downstream activities and the acquisition process of Corus, which started after Tata had indicated that it was considering making an offer for Corus Group plc in early October 2006.

Members of the Board attended Central Consultative Meetings of the BoM and the Central Works Council ("CWC"), providing information on the meetings of the Board.

In 2006, the Board met with the BoM on nine occasions, which was related to a number of special issues in which Corus Nederland was involved. Last year, it was reported that the Board had approved the decision by the BoM to negotiate with Aleris International Inc. the sale of Corus Nederland's downstream aluminium businesses on the basis of a Letter of Intent. After signing a Sale and Purchase Agreement on 23 May 2006, this transaction was completed on 1 August 2006. The Board approved the decision of the BoM to sell, after having considered the interests of all Corus Nederland's stakeholders, such as the employees of the businesses sold, the employees remaining within Corus Nederland and Corus Nederland's bondholders. Moreover, the Board was reassured that there would be no liabilities left in Corus Nederland after completion of the sale. Subsequent to the sale of the aluminium downstream activities, the Board was regularly informed about the progress regarding finding a strategic solution for the primary aluminium smelters.

On 20 October, it was announced that Tata had made an offer for Corus Group plc and that the acquisition was planned to take place by means of a Scheme of Arrangement. Related to this, Corus Nederland was requested to make an offer to bond holders for the early redemption of the Corus Nederland convertible bond loan maturing 22 April 2007. The Board approved the decision by the BoM to make such an offer, conditional upon the Tata offer becoming effective by 28 February 2007 at the latest. Subsequent to the offer to bondholders, it became apparent that Companhia de Siderurgica Nacional ("CSN") also had an interest in acquiring Corus Group plc. The bidding process resulted in a delay in the acquisition of Corus Group plc, and after Tata had emerged as the winner of an auction process, it appeared that the effective date of the acquisition would be after 28 February 2007, but before the maturity date of the convertible bond, implying a renewed offer had to be made to convertible bondholders. The decision of the BoM to make such an offer was again approved by the Board, and in a bondholder meeting held on 7 March 2007, it was decided to redeem the convertible bond early two business days after the Tata offer had become effective. As a consequence, the bond was redeemed early on 4 April 2007.
The Supervisory Board has been kept informed about the progress of the acquisition process and discussed the potential consequences on several occasions.

The Board is pleased to report that Corus Nederland achieved very good results in 2006 for the third consecutive year. The results were supported by the programme of Continuous Improvement. An important step towards enhancing the longer-term competitiveness of the Corus Nederland operations was the start of the strategic investment programme in IJmuiden, which includes the construction of a new Cold Mill and a Hot Dip Galvanising line. This will be instrumental to achieving the targets set out in the strategic programme "Best Supplier to Best Customers" of Corus Strip Products IJmuiden (hereafter "CSPIJ").

In accordance with the provisions of Dutch law, the Board discussed the strategy. At its request, the Board was informed by the management about special subjects such as management development, external communication and the profile of Corus Nederland in the Dutch environment.

Fund transfers to Corus Group plc remained governed by the policy on surplus cash agreed by Corus Group plc and Corus Nederland. Under this agreement and bearing in mind no liabilities related to the sale of the aluminium downstream activities remained within Corus Nederland, the Board approved the payment of an aggregate amount of € 500 million of which an interim dividend amounting to € 160 million related to the 2006 profits on the basis of the semi-annual accounts of Corus Nederland and € 340 million was drawn from the share premium reserve. Furthermore, Corus Nederland bought back € 100 million of Preference share capital in 2006. By the end of 2006, an amount of € 200 million had been lent to the Group.

Pursuant to Article 36 of the Articles of Association, we hereby present the Annual Accounts for adoption by the General Meeting of Shareholders of Corus Nederland. The members of the BoM and the Board have signed these Annual Accounts. The auditors, PricewaterhouseCoopers Accountants N.V., have examined the Annual Accounts for 2006. They have issued an unqualified auditor's report, which is included on page 80.

The parent company income statement shows a profit amounting to € 238 million and the consolidated income statement a profit of € 450 million (including minority interests). An amount of approximately € 4 million will be distributed to the holders of Preference shares.

We recommend that the General Meeting of Shareholders adopts the Annual Accounts for 2006 and discharges the members of the BoM and the Board of responsibility in respect of their management and supervision respectively.

The Supervisory Board is grateful to the Board of Management and all employees for their efforts and dedication over the past year.

Supervisory Board

J.H. Schraven, Chairman
J.J. Borst, Secretary

IJmuiden, 13 June 2007

Report of the Board of Management

Foreword

Health and safety of employees continue to be top priorities and have remained high on the agenda in 2006. Corus Group Health and Safety policies were developed further and the safety performance as measured by the Lost Time Injury Frequency (LTIF) improved from 2.2 in 2005 to 1.8 in 2006. The focus on health and safety will continue as the ultimate goal must be to reduce the LTIF to zero.

From January 2005, Corus Nederland BV (hereafter "Corus Nederland") has prepared its consolidated accounts under the International Financial Reporting Standards (IFRS), as adopted by the European Union. The consolidated operating profit from continuing operations amounted to € 450 million in 2006, € 19 million lower than in 2005. Global steel market conditions improved through 2006, but the results were also influenced by operational events such as the reline of Blast Furnace 7 in IJmuiden.

The Board of Management (hereafter "BoM") regularly reviewed the results and the business performance, including Health and Safety, of the Corus Nederland activities. The BoM also kept itself regularly informed of international and European political issues, including environmental aspects.

In 2006 a number of issues were submitted to the Central Works Council ("CWC") for consultation, of which the sale of the aluminium downstream businesses to Aleris, Inc. was a major subject. In addition, the CWC was informed on a regular basis about the acquisition process of Corus Group plc, the plans for Corus Nederland's primary aluminium smelters and several subjects regarding the IJmuiden Social Unit ("Sociale Eenheid IJmuiden").

During 2006, regular communications and consultations with Corus Group plc took place, related amongst others to the sale of the aluminium downstream operations. An interim dividend of € 160 million was paid in October and an amount of € 340 million was distributed from the share premium reserve. Corus Nederland bought back € 100 million of Preference share capital. Varying amounts, depending on Corus Nederland's cash position, were lent to Corus Group plc following from the policy on surplus cash agreed between Corus Group plc and Corus Nederland.

The decision to sell the aluminium downstream activities must be seen in the light of the decision of Corus Nederland's ultimate shareholder, Corus Group plc, to focus on carbon steel activities in 2002, and was taken after having received advice from the CWC. In taking the decision to sell, the BoM considered the interests of all stakeholders. The interests of the employees involved in aluminium activities remaining with Corus were adequately secured through the continued supply of Research and Development services to Aleris, while the employees of the activities sold were expected to benefit from becoming part of an aluminium company with an ambition to grow. Other important considerations were of a financial nature, including the conclusion that the sale would not jeopardise the position of Corus Nederland's bondholders and other creditors; this conclusion was supported by the agreement with the Group that no liabilities related to the sale would stay with Corus Nederland.

Corus' Aluminium division was originally formed from the combination of primary aluminium, rolled products and extrusion businesses, supported by metal trading activities, with the primary activities providing approximately 40% of the needs of the other businesses. The rolled products and extrusions businesses were sold to Aleris International, Inc. on 1 August 2006 for a net consideration of € 609 million and have been classified as discontinued operations. Turnover and operating profit for the Aluminium division now only reflect the aluminium smelting and metal trading operations retained by Corus, although these operations continue to provide metal and services to the disposed units. Since 1 August 2006, turnover and cost of sales to the disposed businesses from the primary activities, previously eliminated on consolidation, are now included as part of the Group's results from the third quarter of 2006 onwards.

We are grateful for the contributions of all the employees. Without their enthusiasm and dedication, it would have been impossible to achieve such good results in turbulent times.

Financial result

Operating profit from continuing operations decreased by € 100 million to € 528 million. Steel Strip activities contributed € 539 million (2005: € 662 million), Distribution & Building Systems € 65 million (2005: € 35 million), Aluminium activities € (42) million (2005: € (71) million) and Other activities € (34) million (2005: € 2 million).
In 2006 the result of Other activities contained a loss because of the settlement of centrally recorded hedge results. In 2005 the result of the Aluminium activities included an impairment charge with regard to the smelter activities.
Net turnover increased by 11% to € 5.768 million. Steel Strip turnover rose by 4% (€ 148 million). Distribution & Building Systems turnover rose by 12% (€ 217 million) and Aluminium turnover increased by 266% (€ 203 million). Aluminium turnover in 2006 included sales to the disposed aluminium rolled and extrusion businesses as from 1 August 2006. These sales were eliminated on consolidation before that date.

The effective tax rate on the profit before taxation is 30.9%, compared with an average weighted rate of 29.8%.
Adjustments in respect of prior years and not recognised losses more than outweighed the favourable effects of the lower future tax rates in the Netherlands.

Consolidated net profit after taxation (including minority interests) amounted to € 450 million, a decrease of € 19 million compared with 2005. During the year interim dividends amounting to € 160 million were paid. In addition, an amount of € 340 million was distributed from the share premium reserve.
As agreed with the shareholders, € 100 million of Preference share capital was bought back in 2006.

Financial position

Consolidated capital and reserves (including minority interests) declined by € 134 million to € 2.177 million at the end of 2006, reflecting a.o. the significant distribution from the share premium reserve.
The effect of translation differences amounted to € (9) million.

Net cash flow from operations totalled € 536 million, € 72 million less than in 2005 (€ 608 million). Investments in fixed assets amounted to € 361 million.

Besides the distribution from the share premium reserve of € 340 million and the repurchase of preference shares, an amount of € 160 million was paid as an interim dividend for 2006. After other movements in external loans and loans to other group companies, net cash flow amounted to € 33 million.

Financial resources

Early 2006 Corus Group plc and Corus Nederland had access to a € 800 million revolving credit facility. This facility provides for direct borrowings by Corus Nederland, as well as by Corus Group plc and Corus UK Ltd. Following the completion of the sale of the downstream aluminium rolled products and extrusions businesses to Aleris International, Inc. pursuant to the share purchase agreement dated 23 May 2006, the total size of the revolving credit facility was reduced by € 100 million to € 700 million in accordance with the terms of the facility documentation. Of this € 700 million, € 100 million is reserved as a standby facility for use by Corus Nederland alone. The facility is principally secured on the shares of Corus Nederland BV and is guaranteed by Corus Group plc and Corus UK Ltd. Financial covenants for both Corus Nederland and the Group apply with regard to EBITDA ratios, net tangible worth, and gearing. The facility terminates on 31 December 2008.
Corus Nederland has also access to a € 400 million intercompany loan facility with Corus Group plc, expiring on 31 December 2008, of which at the end of 2006 an amount of € 95 million was drawn.

Capital expenditure

Capital expenditure on property, plant and equipment amounted to € 334 million in 2006 (2005: € 295 million) which amount includes the capital expenditure of € 32 million of the Aluminium rolling and extrusion activities, which were sold at 1 August 2006. Capital expenditure of the ongoing activities amounted to € 302 million (2005: € 240 million), of which € 280 million for the Strip division, € 10 million for the Distribution & Building Systems division, € 6 million for the continuing operations in the Aluminium division, and € 6 million for central and other, mainly the Research and Development department in IJmuiden. The high level of capital expenditure reflected the numerous number of major schemes in progress and completed in 2006.
Besides the focus of capital expenditure on essential replacements to maintain activities of the businesses and to meet safety and environmental requirements, followed by schemes in support of the Restoring Success programme, especially at the site at IJmuiden a number of schemes are in progress to expand and enhance the product range capabilities for the automotive and construction markets, including advanced high strength steels.

The steel and aluminium markets

General economic conditions
In 2006 the global economy enjoyed one of its strongest periods of expansion in twenty years, with economic growth accelerating from 3.3% in 2005 to 3.8% in 2006. The global expansion was geographically broadly-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 still robust 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. In 2006 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 nearly US$80.

As in 2005, the USA and China were the biggest contributors to the expansion of the global economy in 2006. The US economy grew by 3.4% in 2006, supported by still firm 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 the year, reaching 11.4% in the second quarter. 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 slightly in the second half of 2006. Nevertheless, growth in the year as a whole was 10.7%, the highest since 1995.

The Eurozone'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: business confidence reached its highest level in over fifteen years and activity in the commercial construction sector showed significant improvement.

Steel market

The global steel market continued to grow above its long-term trend rate, with improved underlying demand and re-stocking leading to even stronger 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 made up 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 combined with the re-stocking that continued from the end of 2005, resulted in an estimated 8% growth in demand compared with a 5% contraction in 2005.

Aluminium market

Global demand for primary aluminium rose by 7.2% in 2006 to over 34 million tonnes, having grown by over 5% in 2005. In 2006 consumption was some 400kt greater than annual production, having been 100kt lower than capacity in 2005. The tightening market was brought about by increased demand in China (21%), Europe (4%) and Asia/Middle East (6%). World-wide capacity increased by 6%; increases in China (18%) and Asia/Middle East (11%) were offset by idled or closed smelting capacity in Western Europe (4%) and North America (1%). 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 business, its objectives and strategy

Corus Nederland has three main operating divisions: Strip Products, Distribution & Building Systems and Aluminium. The activities of each division are organised into individual business profit centres, each of which has its own managing director who, with his respective management team, has responsibility for the performance of that business. Europe, principally the European Union (EU), is the most important market for Corus Nederland for both its steel and aluminium products, accounting for 86% of total turnover in 2006. Corus Nederland’s steel division accounted for 69% of total turnover in the same period.

Corus Nederland produces carbon steel by the basic oxygen steelmaking method at one integrated steelworks in the Netherlands at IJmuiden. A number of the rolling mills and process lines are on the IJmuiden integrated site, but many of Corus Nederland’s operating sites do not have steelmaking facilities. These include: the tinplate works at Bergen, Norway; the coating works at Maubeuge, North France; the tube mills at Oosterhout, Arnhem and Maastricht, Netherlands; the hot and cold rolled narrow strip mills at Düsseldorf and Trier, Germany and Warren and Bethlehem, USA.

Corus Nederland 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 Nederland has sales offices in various countries, supported by a worldwide trading network.

Principal end markets for Corus Nederland’s steel products are the automotive, construction, and packaging sectors.

Following the disposal of the aluminium rolled and extrusions businesses in August 2006, Corus Nederland’s remaining aluminium operations are 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.

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

Property	Approximate total operational site area [hectares]	Gross external area of buildings and plant [hectares]	2006 Actual Output [mt]
IJmuiden Steelworks, Netherlands	763	200	6.2
Delfzijl Aluminium Smelting Works, Netherlands	43	11	0.1
Voerde Aluminium Smelting Works,Germany	87	20	0.1

Strategic objectives

Corus Nederland has a strategy focused on carbon steel to create long-term value for its stakeholders within a sound financial framework through:

- Maintaining a top quartile cost position by upgrading the heavy end in IJmuiden to 7.5mt and continuous improvement initiatives;
- Improving the service performance to more than 90% On Time and In Full deliveries;
- Increasing the sales volumes of specialty products to at least 60% of the output;
- Continuing to move the product sales mix to more attractive automotive and construction markets; and
- Capturing growth opportunities with new and existing customers, for example in Central Europe.

Restoring Success and The Corus Way

Corus Nederland's strategic objectives are partly derived from the Corus Group initiatives Restoring Success and implementation of 'The Corus Way'.

The Restoring Success programme was launched by Corus Group in May 2003 and focused on returning all parts of Corus to acceptable levels of profitability. Corus Nederland contributed to this programme in two broad areas:

- Existing ongoing initiatives based on cost reduction and efficiency programmes underway before June 2003; and
- New initiatives made up of further performance improvement programmes begun since June 2003 in areas such as manufacturing, purchasing and the enrichment of the product and customer mix towards premium end-markets.

The Corus Way will drive the future performance of Corus Nederland and deliver outstanding value in steel within a safe and sustainable environment. This approach comprises three key business objectives:

- Best supplier to best customers: differentiating Corus from competitors in its existing Western European markets, and in particular from those importing from low cost countries, by further increasing the share of non-commodity, differentiated products in the sales mix, improving service performance and increasing innovation and branding. Corus Nederland will target at least 60% of its deliveries to be value-added speciality products;
- World-class processes: driving further improvement through benchmarking with world-class performance levels and identifying, sharing and standardising best practices within the organisation; and
- Selective growth: pursuing targeted, value-creating growth opportunities, for instance in Central Europe.

For all businesses a programme of continuous improvement, based on the principles of lean thinking, is currently being implemented to support The Corus Way. The Corus Way can only be achieved through the full involvement, motivation and engagement of all employees. It seeks to encourage and motivate employees so that they will be able to contribute effectively to the achievement of Corus Nederland's strategic objectives. A significant communication and training effort has been initiated to achieve this goal and to ensure that Corus Nederland has highly motivated and passionate employees, committed to delivering outstanding value in steel.

In 2006 Corus Nederland started implementation of major investments in IJmuiden in support of the strategy. This includes the building of the new galvanising line and the new cold rolling mill, which will expand the product range capabilities and capacity for the automotive sector.

Further details of these investments are provided in the Strip Products division narrative.

Disposal of Aluminium businesses

Corus Nederland will continue to evaluate and reshape its businesses and assets, either through focusing on market-leading positions or realising resources for reinvestment. This process continued through 2006 with the disposal of the Aluminium rolled products and extrusions businesses (see the ‘Acquisitions and disposals’ and ‘Aluminium division’ sections). Corus Nederland retained the aluminium smelting and metal trading operations. It is Corus Nederland’s strategic objective to secure a sustainable and value-creating future for the Aluminium smelters outside the Group, after achieving a positive cash flow and operating results for both smelters in the medium term (see ‘Aluminium division’ section).

Tata acquisition

On 20 October 2006, it was announced that Tata Steel had made an offer for Corus Group plc and that the acquisition was planned to take place by means of a Scheme of Arrangement. Related to this, Corus Nederland was requested to make an offer to bond holders for the early redemption of the Corus Nederland convertible bond loan maturing 22 April 2007. The Supervisory Board approved the decision by the BoM to make such an offer. Subsequent to the offer to bondholders, it became apparent that Companhia de Siderurgica Nacional (“CSN”) also had an interest in acquiring Corus Group plc. The bidding process resulted in a delay in the acquisition of Corus Group plc, resulting in an auction that was organised by the UK Panel on Takeovers and Mergers. On 31 January 2007 the Panel announced that Tata had emerged as the winner of this auction process, and the Board of Corus Group subsequently recommended the offer at a price of 608 pence per share. The Corus shareholders voted to approve the revised Tata Scheme that became effective on 2 April 2007. The early redemption of the Corus Nederland convertible bond took place on 4 April 2007.

This means for Corus Nederland that 2007 will be a year in which the acquisition and integration process plays a major role besides the focus on the programmes to realise the strategic objectives.

Business performance in 2006

Corus Nederland performance summary

	2006	2005
Revenue and deliveries		
Turnover (€ million)		
Europe	4,986	4,558
Rest of World	782	637
	5,768	5,195
Earnings		
Operating profit before restructuring and impairment costs and profit on disposals	547	690
Restructuring and impairment costs charged against operating costs	(19)	(55)
Loss on disposals credited against operating costs	-	(7)
Operating profit	528	628
Net finance costs	(16)	(22)
Share of post-tax results of joint ventures and associates	15	(5)
Taxation	(163)	(160)
Profits from discontinued operations	86	28
Profit after taxation from all operations	450	469
Employee numbers at year end (headcount)	15,349	15,341
Capital expenditure (property, plant and equipment)	334	295

Strip Products division

Performance summary

€ million unless stated	2006	2005
Turnover		
Gross	4,431	4,210
Intra-group	(452)	(379)
External	3,979	3,831
Deliveries (kt)		
Gross	6,455	6,351
Intra-group	(1,044)	(1,117)
External	5,411	5,234
Operating profit	539	662
Operating profit (before restructuring & impairment costs and profit on disposals)	557	673
Employee numbers at year end (headcount)	11,913	11,891
Capital expenditure (property, plant and equipment)	280	198

Strategy
The strategy of the Strip Products division is aimed at delivering sustainable returns through the steel cycle, to meet the 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 integrated steelmaking site in IJmuiden delivering lowest cost hot rolled coil; and
- Develop strong sources of competitive advantage through sharing of manufacturing and technical excellence, commercial coordination and supply chain optimisation.

Corus Strip Products IJmuiden (“CSPIJ”)
After years of major reductions, the Lost Time Injury Frequency rate stabilised at 1.8 in 2006. CSPIJ continued to focus on safety and realised several safety projects during 2006. In general a step forward has been made in getting a more Safety Aware environment. To drive and facilitate further improvements, CSPIJ will focus on reinforcing the importance of leadership in safety, further roll out best practices and remain focused on improving contractor safety behaviour.

During the first half of 2006 demand in the European strip market was slow compared to the same period in 2005. This situation followed a softening of market circumstances after customer stock builds in the third quarter of 2005. Market conditions improved during the third quarter of 2006, reflected in an increase in demand during that period. The fourth quarter showed an increase of imports into the EU, which was absorbed without general price decreases due to strong demand and stock rebuild.

Supported by a strong heavy-end performance, sales volumes increased by 152kt to 6016kt. Part of the growth was secured via Direct Sheet Plant Pickled & Oiled and Hot Dip Galvanised deliveries, reflecting the strategic aim to grow in selected higher added value segments and underpinning the “Best Supplier to Best Customers” strategy.

Production for 2006 was affected by the reline of Blast Furnace 7 (“BF7”). Next to the core reline, lower production levels during the reline project were utilised to perform a number of major other upstream projects. The successful realisation of the BF7 reline and related upstream installation revisions are major preconditions for achieving the 7.5 mt liquid steel production targeted for 2010 as part of the CSPIJ strategy.

Considering the reline activities, overall upstream production performance was strong during 2006 with output levels exceeding plan at the Sinter Plant, the Coke Plant, the Blast Furnaces and Oxygen Steel Factory 2. The impact of reline activities on downstream activities was limited due to the utilisation of additional slab stock, built up as part of the reline preparations. Overall production performance was strong, reflected in new annual output records at the Direct Sheet Plant, Hot Strip Mill 2, Cold Mill 2 and Segal.

Supported by logistical improvement projects, customer service performance improved further, reflected in the average Ready On Time and In Full rate showing another improvement from 84% in 2005 to 86% in 2006. The improvement of the order delivery performance at CSPIJ is a key element of the Continuous Improvement Programme to support CSPIJ’s drive to be “Best Supplier to Best Customers”.

In 2006 considerable savings were achieved.

A continuous improvement programme, based on “Lean”, was structured in 2006 around eight Key Business Processes. Continuous improvement will focus the organisation on delivering high added value to the customer and on optimising business process effectiveness and efficiency, reflected in improved installation availability and further cost improvements.

Corus Packaging Plus ("CPP")

Following the refocusing of the Health and Safety plan in 2006, significant progress in reducing Lost Time Injury Frequency (LTIF) rates continued through the year. For CPP IJmuiden the LTIF frequency rate came down from 4.7 in 2005 to 1.2 for 2006. In fact no accidents occurred in the plant itself, but in the early part of the year two accidents were recorded for employees away from the works but on site, slipping with their moped/bicycle. The LTIF frequency rate for CPP Norway was 3.7 for 2006, which is a 30% reduction from the previous year. CPP Belgium operated without lost time accidents in 2006. The average LTIF frequency rate for the Corus Nederland part of CPP came down from 4.7 in 2005 to 1.6 in 2006. The plan for 2007, based on the eight principles of the Corus Health & Safety policy, builds upon the initiatives started in 2006, with particular focus on the areas of management of contractor Health and Safety, leadership cascade and competence and behaviour.

The packaging steel business has experienced a very difficult 2006 in which the market dynamics for packaging steels underwent significant structural change. Despite the apparently favourable conditions that existed in the fourth quarter of 2005, the introduction of additional capacity impacted heavily on market sentiment in the European market, particulary related to the business recovering increased input costs.

Customer service continues to be a key area of focus which was reflected in a number of rewards which CPP received in 2006. For the second year in a row Rexam rewarded CPP with a "Letter of Recognition" for achievements in the area of structural cost reduction in the specific supply chain between the two companies. CPP was the only steel company amongst the winners of the Rexam awards. CPP has also won the Corus CEO Annual Award in the category "Best Supplier to Best Customers" for its work with Heinz. This award recognises the team effort achieved in developing a positive relationship with a key customer, which has involved teams from across sites and functions.

Total prime production output of 944kt was 2% above 2005 level, with the majority of the increase due to increased output of uncoated material in IJmuiden. The output of Norway was 6.5% below the level of 2005.

Corus Colors

With no Lost Time Incidents at Myriad, the Lost Time Injury Frequency rate improved from 2.0 to nil in 2006. The MyriaSafe program, started in 2005 to integrate Health & Safety in all processes and procedures, was invigorated in early 2006 with a safety seminar on H&S leadership. This has led to a radical improvement of the risk assessments and safe working procedures at shop floor level for all employees and contractors, supported by the use of visual management tools.

The Organic Coated Steel ("OCS") market for Colors IJmuiden has shown a firm positive trend throughout 2006, particularly in the second half of the year. The commercial policy for Colors in general has been driven by the need to compensate for the ongoing zinc price increase and consequently for the surge in Hot Dip Galvanised ("HDG") substrate prices for Colors IJmuiden.

The commissioning of the paint cell in Galvanising Line No 2 in May 2006 has been quite successful. The originally anticipated line speed will probably turn out to be a conservative estimate, although additional tests and trials need to be finalised to attain a sustainable performance level. Due to the additional capacity, total OCS production at IJmuiden increased from 171kt in 2005 to 216kt in 2006. Delivery performance fell from 91% to 74%, partly due to the commissioning of the new paint cell but also due to supply chain problems.
Myriad was also able to benefit from the market developments in 2006, especially in the second half of 2006. Delivery volume was 417kt OCS, a growth of 12% against 2005, with an On Time and In Full performance of 92% (2005: 89%). Non-prime performance also improved notably, from 4.3% to 3.2% in 2006.

In September 2006 the MyriaPlus delivery service package was launched, offering guaranteed lead times, short lead times (down to one week) and precise order volumes. This service has clearly confirmed Myriad’s position as the OCS service provider in Europe. Finally, December 2006 saw the revamp of the Cold Mill, much needed to secure the logistical capabilities of the site.

Corus Tubes

In 2006 Corus Tubes continued to focus on improving the safety performance of the business, and by progressing its safety programme aimed at improving the safety environment and culture (the StarSHIP project) achieved a 23% improvement in the Lost Time Incident Frequency rate at its Dutch sites. As a result the Tubes business in the Netherlands has now achieved a year-on-year improvement of more than 20% in each of the past seven years.

The significant improvement in safety performance achieved across Corus Tubes BV's operations was again exemplified by the fact that, for the second year running, all of the Automotive & Engineering business sites in the Netherlands at Oosterhout, Arnhem and Zwijndrecht operated without a lost time injury being recorded at any of these locations in the year.

In 2006, the Tubes business experienced an improvement in tube market conditions, linked to the increase in global steel prices in the year and strong tube demand across all of the key European markets, most notably in the construction sector. Sales despatches in 2006 were 10% higher than in 2005 with the benefits of a stronger sales mix resulting in 14% higher total sales revenues than in 2005. This performance was particularly pleasing given that the business unit experienced some constraints on slitting capacity in the Netherlands linked to the delayed commissioning of the new Zwijndrecht Heavy Slitter.

In the first half of 2006, underlying demand for tubes in Europe strengthened with a particularly strong recovery in demand by the German construction sector, a key tubes market that for a number of years had experienced abnormally weak conditions. As a result and given expectations by stockholders that steel prices were going to increase, tube sales prices and volumes went up.

However, in the third quarter of 2006, whilst underlying demand for tubes and the construction sector across all of Western Europe remained buoyant, sentiment amongst tube stockholders and larger end-customers in relation to future steel prices changed and as a result, order intake levels dipped markedly ahead of the Summer holiday season as stockists sought to run down their stocks ahead of expected price reductions.

Late in the third quarter and throughout the fourth quarter of 2006, competitive pressure caused tube prices to reduce. This situation was also compounded by the fact that increasingly large volumes of cheap imported tubes (from existing and new sources of standard grade tubes) started to be directed to Europe as the relative devaluation of the US dollar against the Euro and pound sterling in the second half of 2006 made European steel and tube prices increasingly attractive to steel and tube makers from other regions.

However, from the fourth quarter of 2006 onwards market sentiment began to change with the expectation that steel prices were firming and would begin to increase in early 2007. As a result, stockists began to increase their ordering and tube demand and the order book gradually improved as the fourth quarter progressed.

Corus Special Strip (“CSS”)

In 2006 the safety performance of the CSS companies was reflected by a Lost Time Injury Frequency rate of 2.8 compared with 5.6 in 2005. In total, five Lost Time Injuries were recorded in 2006 compared with 11 in 2005, whilst CSS’s contractor LTI remained zero.

Overall demand for CSS’s products fell short of expectations, especially Battery Europe and Asia, Household and Office/ICT. Costs were adversely impacted by higher nickel prices and the higher hot band costs charged by US mills. In addition, a lower manufacturing performance at Thomas Steel, caused by slowdown actions by the unions mainly in July, negatively contributed to the result as well. These negative effects were partly offset by a favourable product mix and lower than expected hot band costs.

Sales volume in 2006 fell, partly due to the disposal of Rafferty Brown in 2005.

The European and Asian Battery sectors continued to struggle, due to fierce competition, whilst Battery demand in the US remained strong. Ammunition performed reasonably well and Electrical excellently. The remaining Innovative Strip Products business fell behind expectations. Plated Strip International ceased production at the end of March 2006.

CSS achieved a cumulative On Time and In Full performance of 90.3%, compared with 90.7% in 2005.

Capital expenditure in 2006 amounted to € 7.0 million of which € 1.7 million for the new batch annealing plant at Hille & Müller (H&M). The result in 2006 for H&M included an impairment charge of € 13 million.

Capital expenditure strip activities

Capital expenditure in 2006 amounted to € 280 million (2005: € 198 million). Several major schemes were completed during 2006, namely the reline of Blast Furnace 7, the vertical bending continuous casting machine, the Paul Wurth top for Blast Furnace 7, the refurbishment of the pellet plant and the increase in organic coated steel capacity. Two major schemes are in progress in 2006:

The installation of a new continuous galvanising line and a new 3-stand cold rolling mill at IJmuiden have been started. The galvanising line will increase the galvanising capacity by 550kt. This new line is dedicated for automotive and will reinforce the existing robust market position. Through the galvanising line the Strip division will be able to produce for the market of high specialty grades and high strength grades.
The cold rolling mill will address the imbalance in cold-rolling capacity after realising the galvanising line.

The replacement of the control system for the hot rolling mill is in progress as planned; some sub-schemes have been completed.

Major capital projects

Completed in the period	Capital Cost € million	Completion date
IJmuiden – reline of Blast Furnace 7	88	Q4 06
IJmuiden – vertical bending continuous casting machine	32	Q4 06
IJmuiden – Paul Wurth top for Blast Furnace 7	31	Q4 06
IJmuiden – refurbishment of pellet plant	20	Q4 06
IJmuiden – increase in organic coated steel capacity	17	Q1 06

In progress at end December 2006	Capital Cost € million	Completion date
IJmuiden – galvanising and cold rolling capacity	223	Q2 09
IJmuiden – replacement control system for the hot rolling mill	25	Q1 07

Aluminium division

Performance summary

€ million unless stated	2006	2005
Turnover		
Gross	368	135
Intra-group	(43)	(13)
External	325	122
Deliveries (kt)		
Gross	162	95
Intra-group	(5)	(5)
External	157	90
Operating profit/(loss)	(42)	(71)
Operating profit (before restructuring & impairment costs and profit on disposals)	(42)	(28)
Discontinued operations	86	28
Employee numbers at year end (headcount)	951	984
Capital expenditure (property, plant and equipment)	6	18

Corus' Aluminium division was originally formed out of the combination of primary aluminium, rolled products and extrusion businesses, supported by metal trading activities, with the primary activities providing approximately 40% of the needs of the other businesses. 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 operations retained by Corus Nederland, although these operations continue to provide metal to the disposed units. Since 1 August 2006, turnover and cost of sales to the disposed businesses from the primary activities (approximately € 300 million in 2005), previously eliminated on consolidation, have been included as part of Corus Nederland's results from the third quarter of 2006 onwards.

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.

Discontinued operations
Results from discontinued operations represent the aluminium rolled products and extrusion businesses sold in 2006. These downstream businesses focussed on selling products to high value added markets to differentiate them from high volume and/or low cost commodity producers. Some 40% of the metal needs of these downstream operations were met from the primary aluminium smelters retained by Corus and this volume relationship will continue in 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 and last year period results are analysed in detail in Note 7 and are summarised as follows:

€ million unless stated	2006	2005
External turnover	1,009	1,452
External deliveries (kt)	306	532
Operating profit	55	54
Net finance costs	(3)	(7)
Taxation	(10)	(19)
Gain on disposal	44	-
Results from discontinued operations	42	28
Employee numbers at date of disposal (headcount)	4,609	4,617
Capital expenditure (property, plant and equipment)	32	56

Corus Primary Aluminium
The remaining Corus Aluminium facilities are located in Germany (Voerde) and the Netherlands (Aldel). The smelters in Delfzijl and Voerde performed stably in 2006. The impact of the increase of the price of aluminium on the London Metal Exchange (LME) was significant. However, higher turnover was offset by higher costs for LME-related items such as alumina and scrap and also had a negative impact on forward sales. Negotiations about new long-term energy arrangements for Aldel have not been concluded yet.

Capital expenditure aluminium activities
Per 1 August 2006 the extrusion and rolling activities of the Aluminium division were sold. Including these activities capital expenditure in 2006 amounted to € 38 million (2005: € 74 million). From this amount € 6 million was allocated to the continuing operations of the aluminium smelters.
The focus of capital expenditure was on essential replacements to maintain the business and to meet safety and environmental related requirements.

Distribution and Building Systems division ("DBS")

Performance summary

€ million unless stated	2006	2005
Turnover		
Gross	1,450	1,233
Intra-group	(1)	(1)
External	1,449	1,232
Deliveries (kt)		
Gross	1,735	1,443
Intra-group	(24)	(15)
External	1,711	1,428
Operating profit	65	35
Operating profit (before restructuring & impairment costs and profit on disposals)	66	41
Employee numbers at year end (headcount)	1,877	1,858
Capital expenditure (property, plant and equipment)	10	19

Strategy
The strategy of the Distribution & Building Systems division is to develop as a value creation and growth driver for a/o Corus Nederland and to provide an effective route to market in support of the Strip Products division's strategy by:

- Growing distribution returns through the roll-out of efficiency programmes, capturing more of the supply chain added value and developing into more specialist products and services; and
- Finalising building systems restructuring and efficiency programmes, and developing more value added construction products, services and systems.

This division, which comprises seven business units, operates throughout the world. The main market for the division, however, remains Europe and a large number of Corus Nederland entities are contained within, and form an integral part of, DBS Central Europe, DBS France / Spain and DBS Kalzip.

Across the European-based business units safety performance improved further. Restoring Success plans across DBS achieved their full benefits by the end of the year, with strong market demand during 2006 contributing to this achievement.

The start of 2006 saw strong demand for the Distribution businesses' products sold from the steel service centres in the Netherlands, Germany, France and Spain, which continued throughout the year. The strong demand was supported by normal stock levels at customers and relatively low imports. Prices remained flat in the first quarter compared to the last quarter of 2005, but went up in the following three quarters for Hot Rolled and Cold Rolled products, with greater rises for Hot Dip Galvanised (depending on zinc coating thicknesses). A notable exception to the favourable market conditions was France, with generally lower price increases and poor demand from the automotive sector. The operating profit of the Distribution businesses outside of France benefited from the strong demand and increased price levels. From the second quarter onwards, gross margins were favourably impacted by profit on stock, although the effect was reduced by price reductions on annual contract business, concluded at the start of the year. Stock levels remained at manageable levels due to the ongoing strong demand and tight supply situation. Notwithstanding this, all entities reported On Time and In Full delivery performance in excess of 90%.

The operating profit for the building systems businesses improved strongly in 2006 due to a combination of increased volumes and improved margins. The improved results were underpinned by the upturn of the German construction industry and the restructured French activities performed encouragingly. The building systems businesses had full order books at the year-end.

The land and buildings of Fischer Profielen NV in Gent, Belgium – which ceased its business activities in 2003 – were sold at a small book loss.

Kalzip experienced strong market conditions in Mainland Europe and Asia/ Pacific. In addition to the generally favourable market conditions, Kalzip's operating profit was favourably influenced by its main project, the National Convention Centre in Hanoi, Vietnam, and the closure of the loss-making activities at the Faremoutiers site (France), whose activities are now performed from Koblenz, Germany.

Capital expenditure

Capital expenditure in 2006 amounted to € 10 million (2005 € 19 million). No major schemes were completed during the period. One major scheme was approved in 2006, namely the restructuring of the French distribution sites around Paris. Furthermore the focus of capital expenditure was on essential replacements to maintain the activities of the business and to meet safety and environmental related requirements.

The objective of the restructuring of the French distribution sites around Paris is to reduce the existing three French distribution sites based around Paris down to two and to construct a large access and warehouse facility at the existing Corbeil site. This will enhance the competitive position in France.

Research & Development

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 deployment 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.

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

Related to the sale of the downstream aluminium entities, Research Development & Technology entered into a contract with Aleris, Inc. to continue to perform research and development activities for the entities sold.

On the IJmuiden site a new central office for Research Development & Technology is being erected, which 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.

Corus is a major partner in ULCOS ("Ultra Low CO_2 Steelmaking"), a large European consortium aiming at developing technology to enable 50% less CO_2 emissions per tonne of steel by 2050. Since the start of the project in 2004, Corus has been actively involved through its research and development, and project management capabilities. In 2006, the range of possible iron-making routes was reduced by analysing the challenges each option would have to overcome to be demonstrated by 2015. A subsequent selection process resulted in a revised programme that will focus on four technologies only.

Special attention to the environmental impact of steel-making processes continued to result in process improvements that reduce emissions. 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 58% lower emissions of NO_x gas on BOF gas-firing.

An important focus area for process improvement was the development of automatic or automated measuring and inspection systems, as these lead to better process consistency, enhanced product quality due to reduced variations in product properties, and a reduction of reject levels, which may entail substantial cost benefits. Ongoing developments in digital imaging and data processing technology, for example, considerably enhance the possibilities of camera inspection systems.

In 2006, a camera system was installed at Corus Tubes in Arnhem to support operators in detecting tiny and shallow defects caused during the process of scarfing the welds to smooth the surface. The set-up of the system allows operators to adjust the process by direct feedback, thus preventing production of defective tubes.

Developments for specific markets

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

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.

In product development, the main focus was on the further development and improvement of steel grades with high strength and yet good formability, such as the Dual Phase family of steels of which DP600 is now available from Corus, and the TRIP (transformation induced plasticity) and TWIP (twinning induced plasticity) steels that are currently under development. The investment in a new cold mill and galvanising line on the IJmuiden site, specially targeted at producing advanced automotive steel grades, underlines the importance that Corus attaches to this market.

An example of a support tool increasingly used is the portable strain measurement system PHAST, jointly developed by Corus and Dutch photogrammetry specialist Geodelta. PHAST is the first system that combines expertise in three-dimensional measurement technology with materials knowledge, and is becoming a valuable aid in optimising press shop processes for car body panels. Using PHAST involves photographing a pressed panel from different positions with a digital camera and then processing the data using software that links all the photographic measurements and calculates the strains in the pressed part with an accuracy of ±0.5%.

In 2006, Corus also won a contract to supply its unique product, the Hyfo™ tubular blank, for the first hydroformed crash can to go into production in the European automotive market. Unlike more traditional crash cans, which are typically constructed of several components, this design consists of a single hydroformed tubular blank that is then cut in half to produce a vehicle pair. This technically sophisticated approach reduces both assembly complexity and the weight of the component.

In the *packaging* market, thinner packaging materials lead to reduced weight and thereby less waste and a lower burden on the environment. Although development potential is gradually decreasing as physical limits of the production processes are being approached, research into possibilities for down-gauging still continues. As a result of these efforts, Corus introduced a world-beating thinner material of 0.18 mm (compared to about 0.2 mm previously) for easy open-end food cans at the end of 2005. This development, which resulted in a 10% material saving, was undertaken by Corus together with a major customer.

For the *Domestic appliances* market, the year 2006 also saw the first commercial application of the polymer injection forming technology developed by Corus and announced in 2004. In September 2006 a novel coffee and tea pad machine, named Café Invento, was launched by Dutch domestic appliances manufacturer Inventum. The visible parts of the appliance were made using polymer injection forming, which involved applying plastic to Protact®Pristine, a polymer coated steel produced by Corus, in one single processing step. The resulting plastic trimming gives the appliance a smooth and seamless finish.

People

In 2006, safety remained a key focus. The Lost Time Injury Frequency rate further decreased from 2.2 in 2005 to 1.8 in 2006. The target is a yearly improvement of at least 30%. This target was not quite met in 2006, mainly because of a high number of accidents in July. The sickness rate in Corus Nederland dropped to 4.5 (2005: 5.1 reported last year, recalculated for the current organisation: 4.9).

In 2006, the Board of Management consulted the Central Works Council (CWC) about the sale of the downstream activities of the Aluminium division. The CWC has been kept informed about the biddings on Corus Group by Tata Steel and CSN.

On 12 November Corus Staal and the unions reached an agreement on a new 24-month Collective Labour Agreement for the Social Entity IJmuiden, from October 2006 until October 2008.

In September a one-year pilot has started with a forward rotating five-scheme shift. The majority of the works personnel voted for what is expected to be a much more healthier shift system than the standard backward shift.

The Stichting Pensioenfonds Hoogovens (“SPH”) scheme is the principal pension scheme of Corus Nederland. It is a defined benefit scheme and contributions in 2006, which can vary depending on the funding ratio of the scheme, stood at 10.7% for the Company and 6.3% for members relative to gross pensionable earnings.

During the year concrete steps were made with the implementation of the Strategy 2005-2010 of Corus Strip Products IJmuiden: “Best Supplier to Best Customers”. In the areas “People” and “Organisation” several projects were started in the areas of staffing, employee development and human resource process improvement.

Environment

As agreed at the Lisbon summit, the European Union aims to be amongst the most competitive economies by 2010. Policies should generally support competitive conditions and enhance the business climate. Within this general framework, the extent to which environmental policies affect the competitiveness of manufacturing industries such as the base metals or the chemical industry should not be underestimated.

In these industries, raw materials are converted into products. The nature of these processes inevitably results in the emission of gases such as CO_2, NO_x and SO_2. Corus Nederland is committed to reducing emissions in line with the Best Available Techniques and has a proven track record of meeting targets adopted in cooperation with the government. Reductions beyond these standards can only be achieved through lower production volumes or through new breakthrough technologies.

Corus Nederland is concerned that environmental legislation at European, national and local level will adversely affect the business climate for its steel and aluminium plants, for example in the Netherlands, Belgium and Germany. The CO_2-emission trading scheme that has come into operation at European level in 2005 has a major impact. Steel companies must participate in the trading system, and there is a shortage of received emission rights in IJmuiden

(Aldel also participates to a limited extent). In addition, the liberalisation of the electricity market has not resulted in more competition and competitive price levels. Electricity prices across Europe and especially in the Netherlands have risen as a result. As a consequence, Corus in the Netherlands now finds itself at an important cost disadvantage to many competitors.

At the end of 2006 the EU agreed on the regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). REACH will enter into force in June 2007. This means registration of all the substances that Corus produces and also obligations for the thousands of substances Corus uses. The impact for Corus will depend on the volume of substances that will have to be replaced.

At a national level, stringent ceilings have been set in the Netherlands for 2010 with regard to the emission of substances such as NO_x and SO_2. The ceilings have been set at levels beyond the Best Available Standard Technology. For NO_x, performance standard rates are set for the emission of NO_x per unit of output and per unit of energy used. The NO_x-emission trading scheme started at national level in June 2005. An evaluation of the costs will be made by the government in 2007.

Corus in IJmuiden has obtained a renewal of its environmental permit. However, an appeal at the Council of State is ongoing.

Although these are two separate and different issues, politicians continue to discuss the proposed deposit system and littering as a single topic. In the beginning of 2007, Dutch Parliament adopted a resolution to put the possibility of introducing a deposit system in the Netherlands back onto the political agenda.

This issue will be discussed further in Spring 2007 while, in the meantime, industry and all other parties search for the best possible solution to avoid a deposit system such as in place in Germany. The recycling targets for steel have been reached in the past with steel now at a rate of 84% in 2006.

Risk management

As a major subsidiary of Corus Group, Corus Nederland's businesses are subject to an annual full assessment of business risk. Corus Nederland uses certain financial instruments to reduce business risks, which arise from its exposure to foreign exchange, base metal prices and interest rate fluctuations. The instruments used, which are confined principally to forward foreign exchange contracts, forward rate agreements, options and London Metal Exchange contracts, involve elements of credit and market rate risk in excess of the amount recognised in the accounts.
In principle, it is Corus Nederland's policy that all the net currency transaction exposures arising from contracted sales and purchases, denominated in foreign currency are hedged by selling or purchasing foreign currency forward. In specific cases, positions may not be hedged deliberately and are monitored frequently.
Corus Nederland makes use of commodity futures contracts to manage its purchase price risk for certain commodities. In the aluminium segment forward hedges, purchases and sales of metal are made to reduce the potential volatility of operating results. Forward purchases are also made of zinc, tin and nickel to cover sales contracts with fixed metal prices.
The financial structure of Corus Nederland is conservative and only a small percentage of the net assets has been financed by loans. For further details of the borrowings, such as maturity and interest rates, see the Notes on the consolidated and on the company accounts.

Acquisitions and disposals

On 3 July 2006 Corus completed the sale to Companhia Siderurgica Nacional (CSN) of its 50% share in Lusosider Projectos Siderurgicos S.A., a Portuguese company producing pickled hot rolled, cold rolled, hot-dip galvanised and tin plate steel, for a consideration of € 25 million.

On 1 August 2006, Corus completed the sale of its downstream Aluminium rolled products and extrusion businesses to Aleris International Inc. for a gross consideration of € 826 million. The net proceeds after deducting pension liabilities, net debt and minority interests were € 609 million. The final consideration payable by Aleris 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 of accounts drawn up by Corus.

Prospects for 2007

The outlook for 2007 is positive. Global economic growth has remained robust, notwithstanding a slowdown in the United States. Demand in our markets has continued to increase, Europe included. This has supported a rise in selling prices, which will help to recover rising raw material costs.
Corus Nederland businesses will be involved in several work streams in order to achieve synergies from the acquisition of Corus by Tata. The potential financial impact of the acquisition is not clear yet.
Corus Nederland will continue to explore strategic solutions for its primary aluminium smelters.

Board of Management

M.J. Oudeman, chairman
A.M.M. Doeleman
M.M. McOmish

IJmuiden, 13 June 2007

Consolidated income statement

For the financial period ended 31 December 2006	Note	2006 € million	2005 € million
Turnover	1	**5,768**	5,195
Total operating costs	2	**(5,240)**	(4,567)
Operating profit	1	**528**	628
Finance costs	5	**(32)**	(35)
Finance income	5	**16**	13
Share of post-tax profits of joint ventures and associated undertakings	12(iv)	**15**	(5)
Profit before taxation		**527**	601
Taxation	6	**(163)**	(160)
Profit after taxation from continuing operations		**364**	441
Profit after taxation from discontinued operations	7	**86**	28
Profit after taxation		**450**	469
Attributable to:			
Equity holders of the Company		**451**	475
Minority interests		**(1)**	(6)
		450	469

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 only shown as a single net amount in the consolidated income statement below profit after taxation from continuing operations. All comparative periods have been restated for this reclassification.

Notes and related statements forming an integral part of these consolidated accounts appear on pages 26 to 71. Note 28 sets out the movements on reserves.

Consolidated balance sheet

At 31 December 2006	Note	2006 € million	2005 € million
Non-current assets			
Goodwill	9	**13**	13
Other intangible assets	10	**48**	37
Property, plant and equipment	11	**1,673**	1,946
Equity accounted investments	12	**59**	75
Other investments	13	**7**	10
Other non current assets	22	**5**	4
Retirement benefit assets	36	**128**	128
Deferred tax assets	25	**25**	30
		1,958	2,243
Current assets			
Inventories	15	**1,121**	1,296
Trade and other receivables	17	**1,259**	1,185
Current tax assets	16	**14**	34
Short term investments	18	**11**	-
Cash and short term deposits	18	**175**	152
		2,580	2,667
TOTAL ASSETS		**4,538**	4,910
Current liabilities			
Short term borrowings	20	**(249)**	(344)
Trade and other payables	19	**(1,226)**	(1,160)
Current tax liabilities	16	**(120)**	(106)
Retirement benefit obligations	36	**(2)**	(6)
Short term provisions and other liabilities	24	**(38)**	(40)
		(1,635)	(1,656)
Non-current liabilities			
Long term borrowings	20	**(329)**	(410)
Deferred tax liabilities	25	**(175)**	(175)
Retirement benefit obligations	36	**(88)**	(220)
Provisions for liabilities and charges	24	**(66)**	(87)
Other non current liabilities	21	**(45)**	(32)
Deferred income	26	**(23)**	(19)
		(726)	(943)
TOTAL LIABILITIES		**(2,361)**	(2,599)
NET ASSETS		**2,177**	2,311
Equity			
Called up share capital	28	**354**	354
Share premium account	28	**13**	353
Consolidated reserves	28	**1,808**	1,571
Equity attributable to equity holders of the Company		**2,175**	2,278
Minority interests	29	**2**	33
TOTAL EQUITY		**2,177**	2,311

Notes and related statements forming an integral part of these consolidated accounts appear on pages 26 to 71.

Consolidated statement of recognised income and expense

For the financial period ended 31 December 2006	Note	**2006** **€ million**	2005 € million
Actuarial losses on defined benefit plans	36	**(23)**	(90)
Movement on fair values of cash flow hedges	28	**(38)**	(26)
Deferred tax on items taken directly to reserves	28	**22**	22
Exchange movements on currency net investments	28	**(9)**	22
Transfers of cash flow hedge reserve on disposals	28	**(18)**	-
Transfers of deferred taxes on cash flow hedge reserve on disposals	28	**12**	-
Net expense recognised directly in equity		**(54)**	(72)
Profit after taxation		**450**	469
Total recognised income and expense for the period		**396**	397
Adoption of IAS 32 and IAS 39		**-**	(96)
		396	301
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		**397**	403
Minority interests		**(1)**	(6)
		396	397
Adoption of IAS 32 and IAS 39 attributable to:			
Equity holders of the Company		**-**	(96)

Notes and related statements forming an integral part of these consolidated accounts appear on pages 26 to 71.

Consolidated cash flow statement

For the financial period ended 31 December 2006	Note	2006 € million	2005 € million
Operating activities			
Cash generated from operations	33	**625**	892
Interest paid		**(24)**	(34)
Interest element of finance lease rental payments		**(4)**	(1)
Taxation paid		**(61)**	(249)
Net cash flow from operating activities		**536**	608
Investing activities			
Purchase of property, plant and equipment		**(334)**	(295)
Sale of property, plant and equipment		**4**	2
Purchase of other intangible assets		**(27)**	(14)
Sale of other intangible assets		**1**	-
Repayment of loans from joint ventures and associated undertakings		**1**	1
Purchase of subsidiary undertakings and businesses		**-**	(42)
Net cash/(overdraft) acquired with subsidiary undertakings and businesses		**-**	1
Movement in loans to other Corus companies		**(62)**	(24)
Sale of businesses and subsidiary undertakings	37	**569**	18
Sale of joint ventures and associated undertakings		**25**	2
Sale of other investments		**2**	-
Dividends from joint ventures and associates	12	**6**	4
Interest received		**7**	14
Sale/(purchase) of short term investments		**(11)**	14
Net cash flow from investing activities		**181**	(319)
Financing activities			
Repayment Share premium capital		**(340)**	-
New loans		**10**	1
Repayment of borrowings		**-**	(23)
Movements on loans from other Corus companies		**(185)**	220
Capital element of finance lease rental payment		**(9)**	(2)
Dividends paid	8	**(160)**	(650)
Net cash flow from financing activities		**(684)**	(454)
(Decrease)/Increase in cash and cash equivalents		**33**	(165)
Cash and cash equivalents at beginning of period		**129**	292
Effect of foreign exchange rate changes		**(2)**	2
Cash and cash equivalents at end of period		**160**	129
Cash and cash equivalents consist of:			
Cash and short term deposits	18	**175**	152
Bank overdrafts	20	**(15)**	(23)
		160	129

The amounts above relate to total operations, of which discontinued operations had cash outflows from operating activities of € 28 million (2005: inflows of € 88 million) cash outflows from investing activities of € 31 million (2005:€ 53 million) and cash inflows from financing activities of € 80 million (2005: outflows of € 61 million).

Notes and related statements forming an integral part of these consolidated accounts appear on pages 26 to 71.

Presentation of consolidated accounts and accounting policies

Introduction
Corus Nederland BV, with its seat in IJmuiden, municipality of Velsen, the Netherlands forms part of the Corus Group.
Corus Group plc is the ultimate parent company of Corus Nederland. Corus Group plc is incorporated in the UK with its headquarters in London. Corus Group plc was listed on the London, Amsterdam and New York Stock Exchanges until 29 March 2007.

The shares of Corus Nederland BV ("the Company") are held by Corus Property Ltd and Corus CNBV Investments Ltd.

Corus Nederland BV and its subsidiaries ("the Group") form an international metals group that manufactures, processes and distributes steel and aluminium products and provides design, technology and consultancy services for those products.

The 2006 Annual Accounts of Corus Nederland BV have been authorised for issue by the Board of Management on 13 June 2007.

I Basis of preparation
The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However, the consolidated financial statements for the periods presented would not be different if the Company had applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The accounting policies set out below have been consistently applied to all the periods presented except those relating to the treatment of finance leases under IFRIC 4 "Determining whether an Arrangement contains a Lease".

During 2006 an amendment to IAS39 "Financial guarantee contracts" was adopted, but this had no material impact on either the current or the prior periods. IFRIC 4 has been applied from 1 January 2006 and resulted in the recognition of additional finance lease obligations of € 39 million and additional property, plant and equipment of € 39 million.

At the date of authorisation of these financial statements there were a number of standards and interpretations that are not yet effective and have not been adopted early by the Group. 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'. Most of the 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.
The accounts have been prepared in EURO (€), under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the profit and loss.

Considering the fact that the parent company's profit and loss account is included in the consolidated annual accounts, a summarised profit and loss account is/was prepared following Section 2: 402 of the Dutch Civil Code.

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 or in the notes below. Critical accounting judgements and the key sources of estimation uncertainty in applying Corus Nederland '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. The accounting policies, including underlying judgements and methods of estimations are set out below. All of these factors are considered at least annually.

III Basis of consolidation
The consolidated financial statements include the Company and its subsidiaries. They also include the Company'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 Company'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 or loss in the period of acquisition.

Subsequent acquisitions where the Company 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.

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 or loss and can not subsequently be reversed. On disposal of a subsidiary, associate or joint venture, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

V Turnover

Revenue from the sale of goods and rendered services 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 and services. 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 benefits that depends on the length of service such as long service awards, disability benefits and long term compensated absence 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 cost) are recognised immediately within the income statement.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

VII 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 the income statement 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 intangible fixed assets is described in paragraph XVIII.
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.

VIII Government grants
Grants are recognised in the balance sheet when acknowledgement is received that the grant will be paid. Grants related to expenditure on property, plant and equipment are credited to the income statement over the useful lives of qualifying assets. Total grants received less the amounts credited to the income statement at the balance sheet date are included in the balance sheet as deferred income. Grants for (re-)training of employees will be recognised in the income statement directly after receipt of the amount.

IX Insurance
Certain of the Corus Nederland's insurances are handled by Corus Group captive insurance company, Crucible Insurance Company Limited. This company accounts for all insurance business on an annual basis. Insurance premiums in respect of insurance placed with Crucible an other third parties are charged to the income statement in the period to which they relate.

X Share based payments
Corus 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 Group has only applied the fair value accounting described above to grants of equity instruments made after 7 November 2002. No expense is recognised for grants made prior to that date.
Where employees cease contributions into an existing share save scheme in order to take up an offer to participate in a new share save 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.

Corus Nederland recognises three share based payment schemes of Corus Group plc:
- The Corus Executive Share Option Scheme
- The Leveraged Equity Acquisition Plan
- Corus Share Save Scheme Options

The Corus Executive Share Options Scheme and the Leveraged Equity Acquisition Plan only applies to the most senior employees of Corus group and this costs will not be allocated to the subsidiaries as the relevant employee responsibilities are considered to be Corus wide. In respect of the Corus Share Save Scheme Options clearly employees at all levels are eligible to participate and as such the cost will be recognised in Corus Nederland BV.

XI 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 benefit 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 has applied the option IAS 19 to allow actuarial gains and losses to be recognised in retained earnings and presented in the 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.

XII 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 other receivables. Dividend income is recognised when the right to receive payment is established.

XIII 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 (which, in particular, requires an assessment whether, and if so to what extent, over which taxable profits are more likely than not to arise to offset brought forward losses). Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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 within 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 legally enforcable rights to set off current tax assets and current tax liabilities within that jurisdiction .

XIV 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 purposes of the consolidated financial statements, the results and financial position of each group company are expressed in Euro, 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 Euro at the quoted rates of exchange ruling at each balance sheet date. Income statement items and cash flows are translated into Euro at the average rates for the financial period. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see note XV 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 or loss items from average to closing rate are recorded as movements on reserves. Such cumulative exchange differences are transferred to the income statement 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 1st January 2004, and not from their original acquisition date. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Exchange gains and losses on foreign currency borrowings and forward exchange contracts used to finance an equity investment in a foreign enterprise are offset against the exchange difference arising on the retranslation of the net investment.

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.

XV Financial instruments
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, which 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 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 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 costs 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) Borrowings
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest-bearing bank loans and overdrafts are initially recorded at their fair value which is generally the proceeds received, net of direct issue costs. These borrowings are subsequently stated at amortised cost.

(e) Convertible loan notes
Convertible loan notes are regarded as compound instruments, consisting of a liability and equity component. At the date of issue, the fair value of the liability component is estimated using, inter alia, the prevailing market interest rate for similar non-convertible debt.
The Company's convertible bond is convertible into Corus Group plc shares, in which case the Company will pay the nominal amount of the bonds to Corus Group plc. For this reason the bonds are stated at amortised cost in the balance sheet of the Group.

(f) Trade payables
Trade payables, which are initially recorded at fair value, are subsequently stated at their amortised cost.

(g) Equity instruments
Equity instruments issued by the Group 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 London Metal Exchange (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. 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 ~~as~~ 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, documentary designation of the hedging relationship. This documentation includes, inter alia, items such as identification of the hedged item or transaction and the nature of 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. The 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 the income statement. 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 the income statement 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 the income statement. Gains or losses from re-measuring the associated derivative are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement 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.

XVI Emission rights

The Group participates in the EU Emissions Trading Scheme, initially measuring any rights received or purchased at cost, and recognises a liability in relation to carbon dioxide quotas. Purchased rights will be recognised as intangible fixed asset at cost, whereas a liability will be recognised under current liabilities at weighted average cost or market price.

XVII Property, plant and equipment

Property, plant and equipment is recorded at original cost less accumulated depreciation and any recognised impairment loss, with the exception of land. 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 is referred 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 the income statement 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 income.

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 or recognized as a separate asset, as appropriate, 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 the income statement as incurred.

XVIII Depreciation, amortisation and impairment of property, plant and equipment and other intangible fixed 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 fixed assets including those held under finance leases, but with the exception of land, 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 tangible and intangible assets are fixed to the upper limit of:

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 steel making	25 years
IT hardware and software	8 years
Office equipment and furniture	10 years
Motor vehicles	4 years
Other	15 years
Patents and trademarks	4 years
Product and process development costs	5 years

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and other intangible fixed 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 pre-tax discount 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.

XIX Leases
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.

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.

Following the adoption of IFRIC4 ‘Determining whether an Arrangement contains a lease’ from 1 January 2006, specific assets used to service long-term supply arrangements have been classified as assets held under finance leases or operating leases, as appropriate.

XX 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 XXI).

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 are recognised in the income statement, 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.

XXI 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 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 regarded as met only 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 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 part 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 represented being restated on this basis~~.~~

XXII 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 basis, which involves individual businesses considering their local product lines and market conditions.

XXIII 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.

XXIV Equity

Share capital: Ordinary shares are classified as equity. Preference shares are classified as liabilities.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders,due to the Group's contractual obligation to deliver cash or another financial asset.

XXV Critical accounting estimates and judgements

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 Nederland under IFRS are related to property, plant and equipment, goodwill, current asset provisions, deferred tax, retirement benefits, provisions created for redundancy, rationalisation and other related costs, emission rights and financial derivatives. Each of these areas of judgements, 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 property, plant and equipment 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 as a result of the adoption of IFRS, having previously been amortised over the useful economic lives of the underlying assets. The assessment is based on discounting forecast cash flows on a similar basis 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 of slow moving inventory 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. Deferred tax assets amounting to € 25 million have been recognised in the balance sheet at 31 December 2006, under IFRS. The deferred tax assets in respect of tax losses are regarded as recoverable against future forecast taxable profits whether , and if so to what extent, the directors consider taxable profits to be more likely than not to occur. As a result deferred tax assets have not been recognised in respect of total losses with a value of € 154 million.

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 Nederland 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 Corus Nederland's defined benefit schemes are given in Note 36. In relation to the Corus Nederland's main scheme (the "Stichting Pensioenfonds Hoogovens" scheme), an absolute movement of 0.25% in the discount rate assumption will change the estimate of scheme liabilities by approximately € 100 million and an absolute movement of 0.25% in the overall asset return assumption will change the pension cost by approximately € 13 million per annum.

In addition, IFRS allows a number of choices for certain aspects of pension scheme accounting and Corus Nederland 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 Nederland now participates in the EU Emissions Trading Scheme, under which it receives an allocation of allowances for the emission of CO_2. 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 debate amongst the accounting standard setters and the affected industries during the year, and a definitive approach has not yet been agreed. In order to reflect the economic risk that it faces Corus chooses to.initially measure any rights received or purchased at cost, and to recognise a liability in relation to carbon dioxide quotas. Purchased rights will be recognised as intangible fixed asset at cost, whereas a liability will be recognised under current liabilities at weighted average cost or market price.

The balance sheet includes financial derivatives, mainly forward currency and commodity contracts, with a net fair value of € (138) million. 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.

XXVI Segmental reporting

Corus Group plc 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 operational risks and returns of Corus Group plc and all intra-divisional trading is based on commercial terms. These business divisions are used as the primary format for segmental reporting within Corus Group plc. The Corus Nederland Group (“the Group”) has in principle not a managerial structure, but with the exception of Long Products the Corus Group plc structure could apply to the Group as well, although to a lesser extent as some Corus Group plc divisional entities do not belong the Group. Segment assets are operational assets used in normal day-to-day activities. They include attributable goodwill, intangible assets, property, plant and equipment, inventories and operational receivables. They do not include cash, short-term investments, tax assets and other non-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 is 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 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.

XXVII Risk management

As a major subsidiary of Corus Group, Corus Nederland’s businesses are annually subject to a full assessment of business risk. As part of Corus Group’s procedures, monthly reports are made dealing with any significant changes in risk and controls in the period. Detailed reports are also made on a quarterly basis concerning risk and associated control and monitoring procedures.

Corus Group 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. With effect from the 2006 year end, Section 404 of this Act required Corus to perform an annual assessment of its internal controls over financial reporting. During 2006 Corus Nederland dedicated substantial internal and external resource to prepare itself for compliance. However, given that Corus’ shares were delisted from 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. Nevertheless Corus believes that this project was delivered successfully.

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 through a combination of self-funding and policies purchased from external insurers. These 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.

Corus Nederland uses certain financial instruments to reduce business risks arising from its exposure to fluctuations in exchange rates, base metal prices and interest rates. The instruments used, which are confined principally to forward foreign exchange contracts, forward rate agreements, options and London Metal Exchange contracts, involve elements of credit and market rate risk in excess of the amount recognised in the accounts.

Risk management is carried out by a central Treasury department and by Corus Metal Trading BV under policies approved by the Board of Management. The Treasury department as well as Corus Metal Trading BV identify, evaluate and hedge financial risks in close cooperation with Corus Nederland’s operating units.

Credit risk arises from the possible failure of counter-parties to meet their obligations under financial instruments. However, counter parties are established banks and financial institutions with high credit ratings and Corus continually monitors each institution's credit quality and limits by policy the amount of credit exposure to any one of them. Corus Nederland's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by counter-parties. Management believes that the risk of incurring such losses is remote. Underlying principal amounts are not at risk.

Market risk arises as a consequence of fluctuations in foreign exchange rates, interest rates and commodity prices. The market risk associated with financial instruments is controlled by means of trading limits and monitoring systems. These instruments are employed as hedges of transactions included in the accounts or firm contractual commitments.

The contract or notional amounts of these instruments reflect the volume of activity in particular classes of financial instrument. They do not represent the considerably lower amount of credit and market risk to which the Group is exposed. Corus Nederland does not believe it is exposed to any material concentrations of credit risk.

Foreign exchange risk management
It is Corus Nederland's policy that all the net currency transaction exposures arising from contracted sales and purchases and loans from and to other group companies, denominated in foreign currency are hedged by selling or purchasing foreign currency forward.
At 31 December 2006 the notional amounts of outstanding foreign currency contracts was € 1,055m with a net fair value of € (22)m (see note 22).
These amounts represented substantially 100% of the contracted transaction exposure in these currencies at 31 December 2006. Foreign exchange contracts do not generally extend beyond twelve months.

Commodity risk management
Corus Nederland makes use of commodity futures contracts and options to manage its purchase price risk for certain commodities. In the aluminium segment forward sales of metal are made to reduce the potential volatility of operating results within the smelter operations. Forward purchases are made of zinc, tin and nickel to cover sales contracts with fixed metal prices.
At 31 December 2006 Corus Nederland had commodity contracts with a total notional value of € 1,221m and a net fair value of € (104)m (see note 22).

Interest rate risk management
The financial structure of Corus Nederland is conservative and only a small percentage of the net assets has been financed by loans. For further details of the borrowings, such as maturity and interest rates, see the Notes on the consolidated accounts and on the company accounts.

Notes to the consolidated accounts

1. Segmental analysis

1.1 Operating division analysis

Corus Group is organised in a structure that comprises four main divisions Strip Products, Long Products, Distribution & Building Systems and Aluminium. This organisation with the exception of Long Products applies to Corus Nederland as well. Analysis of the operating results and balance sheets for each of these divisions are set out below.

2006 (Figures in € million, unless otherwise stated)	Strip Products	Distributions & Building Systems	Aluminium	Central & other	**Total**
Income statement key data					
Gross turnover	4,431	1,450	368	65	**6,314**
Inter-segment sales	(452)	(1)	(43)	(50)	**(546)**
Turnover	3,979	1,449	325	15	**5,768**
Depreciation (net of grants released)	(149)	(11)	-	(5)	**(165)**
Amortisation	(8)	-	-	-	**(8)**
Operating profit/(loss) before restructuring, impairment and disposals	557	66	(42)	(34)	**547**
Restructuring and impairment costs:					
Redundancy and related costs	(5)	-	-	-	**(5)**
Other rationalisation costs	-	(1)	-	-	**(1)**
Operating profit / (loss)	539	65	(42)	(34)	**528**
Finance costs	-	-	-	(32)	**(32)**
Finance income	-	-	-	16	**16**
Share of post-tax profits of joint ventures and associated undertakings	14	-	-	1	**15**
Taxation	-	-	-	(163)	**(163)**
Profit/(loss) after taxation from continuing operations	553	65	(42)	(212)	**364**
Profit/(loss) after taxation from discontinued operations	-	-	86	-	**86**
Profit after taxation	553	65	44	(212)	**450**
Balance sheet key data					
Goodwill	8	5	-	-	**13**
Property, plant and equipment	1,504	95	15	59	**1,673**
Interests in equity accounted investments	47	-	-	12	**59**
Other segment assets	1,497	457	248	365	**2,567**
Total segment assets	3,056	557	263	436	**4,312**
Cash**,** short term deposits and short term investments	28	29	21	108	**186**
Total segment liabilities	(667)	(445)	(390)	15	**(1,487)**
Net tax liability	-	-	-	(256)	**(256)**
Borrowings	-	-	-	(578)	**(578)**
Total liabilities	(667)	(445)	(390)	(819)	**(2,321)**
Net assets/(liabilities)	2,417	141	(106)	(275)	**2,177**
Other information (total operations)					
Capital expenditure on property, plant and equipment	280	10	38	6	**334**
Capital expenditure on other intangible assets	26	1	-	-	**27**
Average number of employees	11,871	1,888	3,620	610	**17,989**

1. Segmental Analysis continued

1.1 Operating division analysis continued

2005 (Figures in € million, unless otherwise stated)	Strip Products	Distributions & Building Systems	Aluminium	Central & other	**Total**
Income statement key data					
Gross turnover	4,210	1,233	135	62	**5,640**
Inter-segment sales	(379)	(1)	(13)	(52)	**(445)**
Turnover	3,831	1,232	122	10	**5,195**
Depreciation (net of grants released)	(153)	(12)	(7)	(5)	**(177)**
Amortisation	(4)	(1)	-	-	**(5)**
Operating profit/(loss) before restructuring, impairment and disposals	673	41	(28)	4	**690**
Restructuring and impairment costs:					
Redundancy and related costs	(4)	-	-	-	**(4)**
Impairment (losses) related to property, plant and equipment	(4)	-	(43)	-	**(47)**
Other asset write downs	(1)	-	-	-	**(1)**
Other rationalisation costs	-	(2)	-	(1)	**(3)**
Loss on disposal of group undertakings (Note 37)	(2)	(4)	-	(1)	**(7)**
Operating profit / (loss)	662	35	(71)	2	**628**
Finance costs	-	-	-	(35)	**(35)**
Finance income	-	-	-	13	**13**
Share of post-tax profits of joint ventures and associated undertakings	(6)	-	-	1	**(5)**
Taxation	-	-	-	(160)	**(160)**
Profit/(loss) after taxation from continuing operations	656	35	(71)	(179)	**441**
Profit/(loss) after taxation from discontinued operations	-	-	28	-	**28**
Profit after taxation	656	35	(43)	(179)	**469**
Balance sheet key data					
Goodwill	8	5	-	-	**13**
Property, plant and equipment	1,323	99	510	14	**1,946**
Interests in equity accounted investments	63	-	-	12	**75**
Other segment assets	1,359	397	632	272	**2,660**
Total segment assets	2,753	501	1,142	298	**4,694**
Cash**,** short term deposits and short term investments	-	-	-	152	**152**
Total segment liabilities	(754)	(223)	(449)	(138)	**(1,564)**
Net tax liability	-	-	-	(217)	**(217)**
Borrowings	-	-	-	(754)	**(754)**
Total liabilities	(754)	(223)	(449)	(1,109)	**(2,535)**
Net assets/(liabilities)	1,999	278	693	(659)	**2,311**
Other information (total operations)					
Capital expenditure on property, plant and equipment	198	19	74	4	**295**
Capital expenditure on other intangible assets	14	-	-	-	**14**
Average number of employees	11,782	1,846	5,608	605	**19,841**

1. Segmental Analysis continued

1.2 Geographical analysis
Analyses of the operating results and balance sheets by geographical in sectors are set out below, representing the most significant regional markets of Corus Nederland

2006 (Figures in € million, unless otherwise stated)	NL	EU (excl. NL)	Europe (excl. EU)	North America	Rest of the world	Net debt	**Total**
Income statement key data							
By destination:							
Turnover	827	4,033	126	469	313	-	**5,768**
By location of subsidiary							
Gross turnover	4,470	1,982	144	153	28	-	**6,777**
Inter-segment sales	(777)	(232)	-	-	-	-	**(1,009)**
Turnover	3,693	1,750	144	153	28		**5,768**
Depreciation (net of grants released)	(127)	(25)	(4)	(8)	(1)	-	**(165)**
Amortisation	(7)	(1)	-	-	-	-	**(8)**
Operating profit/(loss) before restructuring, impairment and disposals	507	31	11	(3)	1	-	**547**
Restructuring and impairments costs:							
Redundancy and related costs	(1)	(4)	-	-	-	-	**(5)**
Impairment (losses) related to property, plant and equipment	-	(13)	-	-	-	-	**(13)**
Other rationalisation costs	-	(1)	-	-	-	-	**(1)**
Operating profit / (loss)	506	13	11	(3)	1	-	**528**
Share of post-tax profits of joint ventures and associated undertakings	15	-	-	-	-	-	**15**
Profit/(loss) after taxation from discontinued operations	-	88	-	(2)	-	-	**86**
Balance sheet key data							
Goodwill	-	13	-	-	-	-	**13**
Property, plant and equipment	1,396	197	26	50	4	-	**1,673**
Interests in equity accounted investments	59	-	-	-	-	-	**59**
Other segment assets	1,628	857	47	62	12	-	**2,606**
Total segment assets	3,083	1,067	73	112	16	-	**4,351**
Cash, short term deposits and short term investments	-	-	-	-	-	186	**186**
Total assets	3,083	1,067	73	112	16	186	**4,537**
Total segment liabilities	(1,246)	(477)	(20)	(33)	(6)	-	**(1,782)**
Borrowings	-	-	-	-	-	(578)	**(578)**
Total liabilities	(1,246)	(477)	(20)	(33)	(6)	(578)	**(2,360)**
Net assets/(liabilities)	1,837	590	53	79	10	(392)	**2,177**
Other information(total operations)							
Capital expenditure on property, plant and equipment	276	47	4	6	1	-	**334**
Capital expenditure on intangible assets	26	1	-	-	-	-	**27**
Average number of employees	11,067	5,469	399	903	151	-	**17,989**

1. Segmental Analysis continued

1.2 Geographical analysis continued

2005 (Figures in € million, unless otherwise stated)	NL	EU (excl. NL)	Europe (excl. EU)	North America	Rest of the world	Net debt	**Total**
Income statement key data							
By destination:							
Turnover	896	3,410	252	401	236	-	**5,195**
By location of subsidiary							
Gross turnover	4,190	1,655	149	176	22	-	**6,192**
Inter-segment sales	(759)	(238)	-	-	-	-	**(997)**
Turnover	3,431	1,417	149	176	22	-	**5,195**
Depreciation (net of grants released)	(134)	(28)	(4)	(11)	-	-	**(177)**
Amortisation	(4)	(1)	-	-	-	-	**(5)**
Operating profit/(loss) before restructuring, impairment and disposals	651	17	11	10	1	-	**690**
Restructuring and impairments costs:							
Redundancy and related costs	(1)	(3)	-	-	-	-	**(4)**
Impairment (losses) related to property, plant and equipment	(41)	(5)	-	(1)	-	-	**(47)**
Other asset write downs	-	-	-	(1)	-	-	**(1)**
Other rationalisation costs	-	(3)	-	-	-	-	**(3)**
Loss on disposal of group undertakings (Note 37)	(5)	-	-	(2)	-	-	**(7)**
Operating profit / (loss)	604	6	11	6	1	-	**628**
Share of post-tax profits of joint ventures and associated undertakings	(5)	-	-	-	-	-	**(5)**
Profit/(loss) after taxation from discontinued operations (Note 8)	-	33	-	(4)	(1)	-	**28**
Balance sheet key data							
Goodwill	-	13	-	-	-	-	**13**
Property, plant and equipment	1,175	582	27	153	9	-	**1,946**
Interests in equity accounted investments	44	31	-	-	-	-	**75**
Other segment assets	1,382	1,141	38	143	20	-	**2,724**
Total segment assets	2,601	1,767	65	296	29	-	**4,758**
Cash, short term deposits and short term investments	-	-	-	-	-	152	**152**
Total assets	2,601	1,767	65	296	29	152	**4,910**
Total segment liabilities	(949)	(725)	(22)	(133)	(16)	-	**(1,845)**
Borrowings	-	-	-	-	-	(754)	**(754)**
Total liabilities	(949)	(725)	(22)	(133)	(16)	(754)	**(2,599)**
Net assets/(liabilities)	1,652	1,042	43	163	13	(602)	**2,311**
Other information							
Capital expenditure on property, plant and equipment	187	91	3	12	2	-	**295**
Capital expenditure on intangible assets	13	1	-	-	-	-	**14**
Average number of employees	10,975	7,115	376	1,205	170	-	**19,841**

2. Operating costs- continuing operations

	2006	2005
	€ million	€ million
Costs by type:		
Raw materials and consumables	**2,762**	2,128
Maintenance costs (excluding own labour)	**438**	434
Other external charges (including fuels and utilities, hire charges and carriage costs)	**792**	708
Employment costs (Note 4)	**927**	933
Depreciation and amortisation (Note 9,10)	**189**	229
Regional development and other grants released (Note 25)	**(3)**	(2)
Other operating costs (including rents, rates, insurance and general expenses)	**195**	272
Changes in inventory of finished goods and work in progress	**(34)**	(118)
Own work capitalised	**(26)**	(26)
Loss/(profit) on disposal of property, plant and equipment	**-**	1
Loss/(profit) on disposal of group undertakings	**-**	8
	5,240	4,567

	Operating costs before restructuring impairment and disposal costs	Restructuring, impairment and disposal costs	**Total**
	€ million	€ million	**€ million**
The above costs in the 12 months to 31 December 2006 include:			
Raw materials and consumables	2,762	-	**2,762**
Maintenance costs (excluding own labour)	438	-	**438**
Other external charges (including fuels and utilities, hire charges and carriage costs)	792	-	**792**
Employment costs	922	5	**927**
Depreciation and amortisation	176	13	**189**
Regional development and other grants released	(3)	-	**(3)**
Other operating costs (including rents, rates, insurance and general expenses)	194	1	**195**
Changes in inventory of finished goods and work in progress	(34)	-	**(34)**
Own work capitalised	(26)	-	**(26)**
	5,221	19	**5,240**

Further analysis of restructuring and impairment costs is presented in Note 3.

	2006	2005
	€ million	€ million
The above costs are stated after including:		
Amortisation of intangible fixed assets	**8**	6
Depreciation of owned assets	**159**	177
Impairment losses related to owned assets	**13**	47
Depreciation of assets held under finance leases	**9**	2
Operating leases:		
Plant and machinery	**30**	26
Leasehold property	**19**	20
Costs of research and development (gross)	**70**	66
Recoveries on research and development	**(10)**	(5)
Impairments against trade receivables	**3**	1
Settlement of outstanding legal claim	**-**	(22)

3. Restructuring and impairment costs- continuing operations

	2006 € million	2005 € million
Provision for restructuring and related measures:		
Redundancy and related costs	**5**	4
Impairment losses related to property, plant and equipment	**13**	47
Other asset write downs	**-**	1
Other rationalisation costs	**1**	3
	19	55

4. Employees- continuing operations

	2006 € million	2005 € million
The total employment costs of all employees (including directors) in Corus Nederland were:		
Wages and salaries	**793**	806
Social security costs	**105**	93
Other pension costs (Note 36)	**24**	30
Redundancy and related costs (Note 3)	**5**	4
	927	933

Related average employee numbers are presented in Note 1.

5. Financing items- continuing operations

	2006 € million	2005 € million
Interest expense		
Bank and other borrowings	**(22)**	(30)
Borrowings from group companies	**(6)**	(4)
Finance leases	**(4)**	(1)
Finance costs	**(32)**	(35)
Interest income:		
Cash and short term investments	**9**	10
From group companies	**7**	3
Finance income	**16**	13
	(16)	(22)

6. Taxation - continuing operations

	2006 € million	2005 € million
Dutch corporation tax	**105**	178
Dutch prior year credit	**(18)**	(10)
Other corporation tax	**1**	4
Other prior year (credit)/charge	**18**	(1)
Current tax	**106**	171
Dutch deferred tax	**22**	9
Other deferred tax	**35**	(20)
Taxation	**163**	160

On 28 November 2006, 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 € 25 million for the effect of this rate change.

In addition to the total taxation charged to the income statement, a tax credit of € 22 million (2005: € 15 million) has been recognised directly in equity in the year.

The total charge for the year can be reconciled to the accounting profit as follows:

	2006 € million	2005 € million
Profit before taxation	**527**	601
Profit before taxation multiplied by the applicable corporation tax rate of 29.8% (2005: 31.6 %)	**157**	190
Effects of:		
Adjustments to current tax in respect of prior periods	**-**	(11)
Adjustments to deferred tax in respect of prior periods	**20**	(1)
Adjustments to deferred tax in respect of changes in tax rates	**(25)**	(7)
Share of results of associates and joint ventures	**(4)**	2
Utilisation of tax losses not previously recognized	**(1)**	(4)
Tax losses not recognized	**9**	-
Other differences	**7**	(9)
Total taxation	**163**	160

The applicable corporation tax rate 29.8% (2005: 31.6%) is the average tax rate weighted in proportion to the accounting profits earned in each geographical area. All results arise on continuing activities.

7. Discontinued operations

On 1 August 2006, Corus completed the sale of its downstream Aluminium rolled products and extrusion 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.

For the financial period ended 31 December 2006	2006 € Million	2005 € Million
Turnover (i)	**1,009**	1,452
Total operating costs (ii)	**(954)**	(1,398)
Operating profit	**55**	54
Finance costs (iv)	**(4)**	(8)
Finance income (iv)	**1**	1
Profit before taxation	**52**	47
Taxation (v)	**(10)**	(19)
Profit after taxation	**42**	28
Gain on disposal of discontinued operations (Note 37)	**44**	-
Profit after taxation	**86**	28

(i) Turnover for the periods above is stated net of trading to continuing operations of the Company and arose to the following destinations:

	2006	2005
Netherlands	**38**	46
European Union (excl. Netherlands)	**650**	914
Europe (excl EU)	**17**	29
North America	**200**	306
Asia	**87**	127
Rest of the world	**17**	30
	1,009	1,452

(ii) Total operating costs

	2006	2005
Costs by type:		
Raw materials and consumables	**641**	849
Maintenance costs (excluding own labour)	**24**	49
Other external charges (including fuels and utilities, hire charges and carriage costs)	**67**	110
Employment costs	**168**	270
Depreciation and amortisation	**14**	56
Other operating costs (including rents, rates, insurance and general expenses)	**42**	61
Changes in stock of finished goods and work in progress	**(2)**	3
	954	1,398
The above costs are stated after including:		
Depreciation of owned assets	**14**	46
Impairment losses/(reversals) related to owned assets	**-**	7
Depreciation of assets held under finance leases	**-**	1
Plant and machinery	**3**	12
Leasehold property	**1**	2
Impairment against trade receivables	**2**	1

(iii) Employees

	2006 € Million	2005 € Million
Emoluments of employees comprised:		
Wages and salaries	**131**	211
Social security costs	**32**	45
Other pension costs	**5**	7
Redundancy and related costs	**-**	7
	168	270

(iv) Financing items

	2006 € million	2005 € million
Interest expense		
Bank and other borrowings	**(4)**	(3)
Borrowings from group companies	**-**	(5)
Finance costs	**(4)**	(8)
Interest income:		
Cash and short term investments	**1**	1
Finance income	**1**	1
	(3)	(7)

(v) Taxes

	2006 € million	2005 € million
Dutch corporation tax		
Other corporation tax	**13**	12
Other prior year (credit)/charge	**(3)**	-
Current tax	**10**	12
Other deferred tax	**-**	7
Taxation	**10**	19

8. Dividends

	2006 € million	2005 € million
On ordinary shares:		
Final dividend 2005 and 2004 respectively	**-**	250
Interim dividend 2006 and 2005 respectively	**160**	400
	160	650
Proposed final dividend	**nil**	nil

The Supervisory Board and the Board of Management propose to the shareholders to distribute no further dividend to the holders of Ordinary shares and thus to consider the interim dividend of €160 million of October 2006 as final payment for the year 2006.

9. Goodwill

	2006	2005
	€ million	€ million
Cost at beginning of period	**26**	22
Additions	**-**	4
Cost at end of period	**26**	26
Impairment losses at beginning of period	**13**	13
Impairment losses at end of period	**13**	13
Net book value at end of period	**13**	13

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that combination. Corus Nederland tests goodwill annually for impairment, or more frequently if there is any indications that goodwill might be impaired. The recoverable amount of the 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 best practices and expectations of future changes in the market. Growth rates are based on industry growth factors and discount rates reflect current market assessments of the time value of money. Corus Nederland prepares cash flow forecasts for these calculations using the most recent approved financial budgets covering a 3-year period. Cash flows beyond the 3-year period are estimated taking into account any specific information available and are extrapolated using the estimated growth rate applicable for the relevant market.

10. Other intangible fixed assets

2006	Emission rights € million	Computer software € million	Development costs € million	Patents and trademarks € million	**Total € million**
Cost at beginning of period	4	48	5	8	**65**
Additions	10	8	9	-	**27**
Other movements (currency, classification)	-	(2)	-	-	**(2)**
Disposals of Group Companies	-	(10)	-	(6)	**(16)**
Cost at end of period	14	44	14	2	**74**
Amortisation at beginning of period	-	24	1	3	**28**
Charge for the period	-	6	2	-	**8**
Other movements (currency, classification)	-	-	(1)	-	**(1)**
Amortisation disposal Group Companies	-	(7)	-	(2)	**(9)**
Amortisation at end of the period	-	23	2	1	**26**
Net book value at end of the period	14	21	12	1	**48**

2005	Emission rights € million	Computer software € million	Development costs € million	Patents and trademarks € million	**Total € million**
Cost at beginning of period	-	42	1	6	49
Additions	4	6	4	-	14
Other movements (currency, classification)	-	1	-	2	3
Disposals	-	(1)	-	-	(1)
Cost at end of period	4	48	5	8	65
Amortisation at beginning of period	-	20	-	2	22
Charge for the period	-	4	1	1	6
Amortisation at end of the period	-	24	1	3	28
Net book value at end of the period	4	24	4	5	37

Computer software includes internally generated capitalised software development cost for a net book value of € 13 million (2005: € 12 million). Development cost are fully internally generated.
As per 2006 emission rights have been presented as intangible fixed assets; 2005 has been restated for comparison purposes.

11. Property, plant and equipment

2006	Land and buildings € million	Plant and machinery € million	Other tangible fixed assets € million	Assets under construction € million	**Total € million**
Cost at beginning of period	1,264	5,522	884	281	**7,951**
Adoption of IFRIC 4	-	39	-	-	**39**
Additions	5	42	41	282	**370**
Exchange translation differences	(2)	(9)	(3)	(1)	**(15)**
Transfers	4	155	18	(177)	**-**
Disposals	(199)	(976)	(87)	(45)	**(1,307)**
Cost at end of period	1,072	4,773	853	340	**7,038**
Depreciation at beginning of period	830	4,508	667	-	**6,005**
Adoption of IFRIC 4	-	7	-	-	**7**
Charge for the period	20	117	38	-	**175**
Impairment (Note 3)	10	3	-	-	**13**
Exchange translation differences	(1)	(4)	(1)	-	**(6)**
Changes in classifications	-	(1)	1	-	**-**
Disposals	(88)	(684)	(57)	-	**(829)**
Depreciation at end of period	771	3,946	648	-	5,365
Net book value at end of period	301	827	205	340	**1,673**

2005	Land and buildings € million	Plant and machinery € million	Other tangible fixed assets € million	Assets under construction € million	Total € million
Cost at beginning of period	1,247	5,330	870	201	7,648
Additions	10	80	39	184	313
Acquisitions	1	12	-	-	13
Exchange translation differences	6	34	3	1	44
Transfers	6	89	10	(105)	-
Changes in classifications	2	-	(1)	-	1
Disposals	(8)	(23)	(37)	-	(68)
Cost at end of period	1,264	5,522	884	281	7,951
Depreciation at beginning of period	801	4,295	653	-	5,749
Charge for the period	26	158	42	-	226
Impairment (Note 3)	2	52	-	-	54
Acquisitions	1	10	-	-	11
Exchange translation differences	3	15	2	-	20
Changes in classifications	-	-	4	-	4
Disposals	(3)	(22)	(34)	-	(59)
Depreciation at end of period	830	4,508	667	-	6,005
Net book value at end of period	434	1,014	217	281	1,946

(i) Included above are fully depreciated assets with an original cost of € 192 million (2005: € 380 million) which are still in use.

11. Property, plant and equipment continued

		2006 € million	2005 € million
(ii)	The net book value of land and buildings comprises:		
	Freehold	**268**	401
	Long leasehold (over 50 years unexpired)	**-**	-
	Short leasehold (in less than 50 years expired)	**33**	33
		301	434
	Which may be further analysed as:		
	Assets held under finance leases:		
	Cost	**41**	41
	Accumulated depreciation	**(8)**	(8)
		33	33
	Owned assets	**268**	401
		301	434
(iii)	The net book value of plant and machinery comprises:		
	Assets held under finance leases:		
	Cost	**48**	8
	Accumulated depreciation	**(11)**	(4)
		37	4
	Owned assets	**790**	1,010
		827	1,014

Included within the values for assets held under finance lease above are amounts resulting from the adoption of IFRIC4 as from 1 January 2006 (see Presentation of accounts and accounting policies paragraph 1).

12. Equity accounted investments

	2006 Interest in joint ventures € million	 Investments in associated undertakings € million	 **Total** **€ million**	2005 Total € million
Cost at beginning of period	66	12	**78**	83
Disposals	(31)	-	**(31)**	(3)
Change in classification	-	-	**-**	(2)
Cost at end of period	35	12	**47**	78
Share of post acquisition reserves at beginning of period	(6)	3	**(3)**	8
Share of results in period retained	1	3	**4**	(11)
Disposals	11	-	**11**	-
Share of post acquisition reserves at end of period	6	6	**12**	(3)
Net book value at end of period	41	18	**59**	75
Net book value at 31 December 2005	60	15	75	-

(i) The Company's main equity accounted investments are listed in Note 40

(ii) Summarised information in respect of the Corus Nederland's joint ventures is presented below:

	2006 € million	2005 € million
The share of assets and liabilities of Corus Nederland 's joint ventures is as follows:		
Non-current assets	**28**	44
Current assets	**69**	120
Current liabilities	**(52)**	(100)
Non-current liabilities	**(4)**	(4)
Corus Nederland's share of net assets	**41**	60
The share of revenue and expenses of Corus Nederland 's joint ventures is as follows:		
Revenue	**363**	375
Expenses	**(356)**	(383)
Corus Nederland's share of joint ventures' profit for the period	**7**	(8)
Dividends received	**(6)**	(3)
Corus Nederland's share of retained profit for the period	**1**	(11)

On 31 August 2006 Corus completed the sale to Companhia Siderurgica Nacional of its 50% share in Lusosider Projectos Siderurgicos S.A., a Portuguese company producing pickled hot rolled, cold rolled, hot-dip galvanised and tin plate steel, for a consideration of € 25 million.

(iii) Summarised information in respect of Corus Nederland 's associates is presented below:

	2006 € million	2005 € million
Summarised balance sheet information		
Total assets	**141**	106
Total liabilities	**(92)**	(67)
Net assets	**49**	39
Corus Nederland's share of net assets	**18**	15
Summarised income statement information		
Revenue	**179**	174
Profit for the period	**11**	3
Corus Nederland's share of associates profit for the period	**3**	1
Dividend received	**-**	(1)
Corus Nederland's share of retained profit for the period	**3**	-

(iv) The share of post tax profits of joint ventures and associated undertakings as disclosed in the income statement arose as follows:

	2006 € million	2005 € million
Corus Nederland's share of joint ventures' profit for the period	**7**	(8)
Corus Nederland's share of associates profit for the period	**3**	1
	10	(7)
Profit on disposal on investment in joint ventures and associated undertakings	**5**	2
Corus Nederland's share of retained profit for the period	**15**	(5)

13. Other investments

	Other Loans and receivables € million	Other investments € million	**Total 2006 € million**	Total 2005 € million
Carrying value at beginning of period	4	6	**10**	9
Redemptions	-	-	**-**	(1)
Disposal	-	(3)	**(3)**	-
Changes in classification	-	-	**-**	2
Exchange movements	-	-	**-**	-
Carrying value at end of period	4	3	**7**	10

14. Other non-current assets

	2006 € million	2005 € million
Fair value of forward commodity and foreign currency contracts	**3**	2
Other debtors	**2**	2
	5	4

15. Inventories

	2006 € million	2005 € million
Raw materials and consumables	**506**	524
Work in progress	**224**	366
Finished goods and goods for resale	**391**	406
	1,121	1,296

The value of inventories above is stated after impairment for obsolescence and write downs to net realisable value of in total € 12 million (2005: €13 million).

16. Current tax

2006	**Assets € million**	**Liabilities € million**
Dutch corporation tax	**-**	**(68)**
Other corporation tax	**14**	**(52)**
	14	**(120)**

2005	Assets € million	Liabilities € million
Dutch corporation tax	18	(82)
Other corporation tax	16	(24)
	34	(106)

17. Trade and other receivables

	2006 € million	2005 € million
Trade receivables	**775**	807
Less provision for impairment of receivables	**(13)**	(22)
	762	785
Amounts owed by other Corus companies	**54**	51
Amounts owed by joint ventures	**18**	14
Amounts owed by associates	**9**	3
Derivative financial instruments	**33**	81
Other receivables	**149**	77
Loans to other Group Companies	**234**	174
	1,259	1,185

Under the terms of the policy on surplus cash balances agreed with Corus Group plc, Corus International Services N.V. granted a short-term loan of € 200 million (2005: € 140 million) to Corus Group plc bearing a floating interest rate based on Euribor. Interest rate and other conditions of these loans are and were in conformity with market conditions. For the fair value of the loans, see Note 23.

The remaining part of the loans to other Corus companies bear for an amount of € 8 million (2005: € 9 million) a fixed interest rate of on average 4%; the loans have for an amount of € 26 million (2005: € 25 million) a floating interest rate. All loans are denominated in Euro.

18. Cash, short term deposits and short term investments

	2006 € million	2005 € million
Cash at bank and in hand	**154**	148
Short term deposits	**21**	4
Cash and other short term deposits	**175**	152
Short term investments	**11**	-
	186	152

	2006				2005			
	Cash € million	Short term deposits € million	Short term investments € million	Total € million	Cash € million	Short term deposits € million	Short term investments € million	Total € million
Euros	**128**	**20**	**-**	**148**	102	4	-	106
US Dollars	**19**	**1**	**11**	**31**	38	-	-	38
Other currencies	**7**	**-**	**-**	**7**	8	-	-	8
	154	**21**	**11**	**186**	148	4	-	152

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 effective interest rate on short-term bank deposits was 3.6% (2005: 2.3 %). For the fair value, see Note 23.

19. Trade and other payables

	2006 € million	2005 € million
Trade payables	**486**	539
Amounts owed to other Corus companies	**181**	135
Amounts owed to joint ventures	**3**	2
Amounts owed to associated undertakings	**2**	4
Other taxation and social security	**16**	17
Interest payable	**22**	25
Capital expenditure creditors	**56**	29
Derivative financial instruments	**129**	39
Other payables	**331**	370
	1,226	1,160

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

20. Borrowings

	2006 € million	2005 € million
Current:		
Bank overdrafts	**15**	23
Loans from other Corus companies	**75**	161
Bank and other loans	**-**	5
4,625% Subordinated debenture loan 2007, convertible into Corus Group plc shares	**152**	152
Obligations under finance leases	**7**	3
	249	344

For further information on the convertible debenture bond see Note 7 to the Company Balance Sheet.

	2006 € million	2005 € million
Non current:		
Redeemable Preferences shares	**36**	136
Loans from other Corus companies	**95**	95
Bank and other loans	**138**	149
Obligations under finance leases	**60**	30
	329	410

(i) The currency and interest exposure of gross borrowings of Corus Nederland at the end of the period is as follows:

	2006				2005			
	Fixed rate borrowings € million	**Floating rate borrowings € million**	**Zero rate borrowings € million**	**Total € million**	Fixed rate borrowings € million	Floating rate borrowings € million	Zero rate borrowings € million	Total € million
Euros	**392**	**177**	**9**	**578**	458	253	9	720
Other	**-**	**-**	**-**	**-**	29	5	-	34
	392	**177**	**9**	**578**	487	258	9	754

	2006		2005	
	Weighted average fixed interest rate	**Weighted average time for which rate is fixed Years**	Weighted average fixed interest rate	Weighted average time for which rate is fixed Years
Euros	**5.0**	**1.9**	5.0	2.7
Other	**-**	**-**	6.4	0.7

The majority of floating rate borrowings are borrowings from Corus companies bearing interest rates based on EURO Libor or official local rates. These rates are fixed for periods up to six months.

The weighted average interest rate on short term borrowings was 2.3% (2005: 3.5%) and on long term borrowings was 4.0% (2005: 4.2 %).

An amount of € 22 million of the obligations under finance lease is secured by mortgage.

Redeemable preference shares

Authorised, issued and fully paid	shares	2006 € million	2005 € million
3.85 % cumulative preference shares of € 9,08 each	**3,981,450**	**36.1**	45.4
5.6 % cumulative preference shares of € 9,08 each	-	-	45.4
4.6 % cumulative preference shares of € 9,08 each	-	-	45.4
At beginning and end of the period	**3,981,450**	**36.1**	136.2

In May 2006 the Supervisory Board endorsed the proposal of the Board of Management to buy back € 100 million of Preference share capital

(ii) The maturity of borrowings is as follows:

	2006 € million	2005 € million
In one year or less or on demand	**252**	344
Between one and two years	**145**	15
Between two and three years	**120**	140
Between three and four years	**5**	97
Between four and five years	**5**	2
More than five years	**56**	157
	583	755
Less: amounts representing interest in future minimum lease payments	**(5)**	(1)
	578	754
Amounts falling due within one year	**249**	344
Amounts falling due after more than one year	**329**	410

The convertible bond matures in 2007, however bondholders do have the right to convert at any time in the intervening period.

Amounts payable under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payment	
	2006 € million	**2005 € million**	**2006 € million**	**2005 € million**
Not later than one year	**11**	4	**8**	3
Later than one year but not more than five	**42**	9	**41**	8
More than five years	**19**	22	**18**	22
	72	35	**67**	33
Less: future finance charges on finance leases	**(5)**	(2)	**-**	-
Present value of finance lease liabilities	**67**	33	**67**	33

(iii) The maturity of undrawn committed borrowing facilities of Corus Nederland BV is as follows:

	2006 € million	2005 € million
In one year of less	**-**	5
Between one and two years	**700**	17
More than two years	**-**	800
	700	822

On 24 February 2005, Corus Group plc and Corus Nederland signed a € 800 million banking facility with a consortium of relationship banks, replacing the previous facility on more favourable terms and with reduced security package. Following the completion of the sale of Corus' aluminium rolled products and extrusion businesses,(in accordance with the terms of the facility agreement), the total size of the revolving credit facility was reduced by €100 million to € 700 million. Certain related covenants as described below, were reduced. The new revolving facility has a final maturity date of 31 December 2008 and provides committed bank financing for general corporate purposes and working capital requirements.

The principal terms of the new syndicated facility include:

- The facility has two tranches (a € 700 million facility available to Corus Group plc and Corus Nederland BV, and a further € 100 million for Corus Nederland BV only). As suggested above, on 1 August 2006, the €700 million facility decreased by an amount of € 100 million to € 600 million as a result of the sale of Corus' rolled products and extrusions businesses.
- The € 700 million facility will reduce by an amount up to € 100 million on January 1, 2008, less any prior reductions, and will not be required to be reduced below € 550 million.
- Fixed security over the shares of 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). Unlikely the existing facility, the banks participating in the new facility will not have any security over the shares and assets of Corus UK Limited or Corus Finance plc.
- Covenants (under pre-existing UK GAAP):
- Group EBITDA/net interest cover and Corus Nederland Group EBITDA/Corus Nederland Group net interest cover shall not be less than: 3.5 until the end of December 2006, 4 until the end of 2007 and 4.5 until the end of December 2008.

- Corus Group plc consolidated net tangible worth (after allowing for impairment/restructuring costs) shall not be less than £2,500 million until the end of 2006; £2,750 million until the end of 2007; and £3,000 million until the end of 2008. Corus Nederland Group consolidated net tangible worth shall not be less than € 1,700 million.
- Dividends of up to 50% of consolidated net income (prior to exceptional items) are permitted, subject to Group EBITDA/net interest cover of at least 4.5.
- Group gearing (net debt/net tangible worth, after allowing for impairment/restructuring costs) shall not exceed 60% until the end of December 2007, and 55% until the end of December 2008. Corus Nederland Group gearing shall not exceed 35% until the end of December 2008.

Corus Nederland also signed a new € 400 million intercompany loan facility with Corus Group plc, expiring on 31 December 2008. This replaced the € 800 million intercompany loan facility, which was due to expire in April 2005. At the end of 2006 € 95 million was used.
Furthermore Corus Nederland BV has short-term bank facilities for an amount of € 85 million as of the end of 2006 (2005: € 85 million). As of 31 December 2006 the company had not drawn upon these facilities. In addition no upward and sideways guarantees have been provided to Corus Group plc and banks with regard to these facilities.

21.Other non-current liabilities

	2006	2005
	€ million	€ million
Fair value of forward commodity and foreign currency contracts	**45**	32

22. Derivative financial instruments

Corus Nederland utilises currency and commodity derivatives to hedge significant future transactions and cash flows. In addition certain of Corus Nederland's other operating contracts contain embedded derivatives that are required to be accounted for separately. These items gave rise to the following fair values that have been recognised in the balance sheet:

	Assets	**Liabilities**
	€ million	**€ million**
At 31 December 2006		
Non-current:		
Commodity contracts	**1**	**(30)**
Forward foreign currency contracts	**-**	**(1)**
Other embedded derivatives	**2**	**(14)**
	3	**(45)**
Current:		
Commodity contracts	**25**	**(100)**
Forward foreign currency contracts	**7**	**(28)**
Other embedded derivatives	**1**	**(1)**
	33	**(129)**
At 31 December 2005		
Non-current:		
Commodity contracts	1	(15)
Forward foreign currency contracts	-	(9)
Other embedded derivatives	1	(8)
	2	(32)
Current:		
Commodity contracts	47	(36)
Forward foreign currency contracts	28	(3)
Other embedded derivatives	6	-
	81	(39)

The fair value of derivative financial instruments that were designated as cash flow hedges at the balance sheet date were:

	2006 € million	2005 € million
Commodity contracts	**(21)**	11
Forward foreign currency contracts	**(13)**	11
Cash flow hedge reserve	**(34)**	22
Taxation	**14**	(8)
Cash flow hedge reserve net of taxation	**(20)**	14

At the balance sheet date the notional amount of outstanding foreign currency and commodity contracts that Corus Nederland has committed to are as follows:

	2006 € million	2005 € million
Commodity contracts	**1,221**	546
Forward foreign currency contracts	**1,055**	1,235

Corus Nederland covers substantially 100% of its contracted currency transaction exposure by way of forward currency exchange contracts. In this respect, no material gains or losses are recognised in profit and loss.

23. Fair values of non derivative financial assets and financial liabilities

The major financial risks facing Corus Nederland and the objectives and policies for holding financial instruments are discussed in the Presentation of consolidated accounts and accounting policies Note XXVII.

	2006		2005	
	Book value € million	**Fair value € million**	Book value € million	Fair value € million
Financial assets:				
Other investments (ii) (Note 13)	**7**	**7**	10	10
Trade and other receivables excluding derivatives (Note 17)	**1,226**	**1,226**	1,104	1,104
Short term investments (i) (Note 18)	**11**	**11**	-	-
Cash and short term deposits (i) (Note 18)	**175**	**175**	152	152
Financial liabilities:				
Current borrowing (i),(iii) (Note 20)	**(249)**	**(254)**	(344)	(345)
Trade and other payables excluding derivatives (Note 19)	**(1,097)**	**(1,097)**	(1,117)	(1,117)
Non-current borrowings (iii) (Note 20)	**(329)**	**(330)**	(410)	(413)
	(256)	**(262)**	(605)	(609)

The following notes summarise the principal methods and assumptions that are used in estimating the fair values of financial instruments.

Other investments and long term borrowings are valued at market prices. The fair values of derivatives generally reflect the estimated amounts that Corus Nederland would receive or pay to terminate the contracts at 31 December 2006, hereby taking into account the current unrealised gains or losses of open contracts. Market rates are available for all of Corus Nederland 's derivatives.

(i) The fair values of cash, short term investments and short term borrowings approximate to their book values due to their short term nature.

(ii) 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 Corus Nederland could make a similar loan in current conditions, it is deemed the carrying amount approximates to the fair value.

(iii) € 177 million (2005: € 258 million) of borrowing 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 € 401 million (2005: € 496 million) 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 Corus Nederland for borrowings with similar terms.

24. Provisions for liabilities and charges

	Rationalisation costs € million	Environmental provisions € million	Guarantee commitments € million	Employee benefits € million	Other € million	**Total 2006 € million**	Total 2005 € million
At beginning of period	18	11	10	74	14	**127**	101
Charged to profit and loss account	6	4	4	3	10	**27**	42
Released to profit and loss account	-	(1)	(1)	(1)	(8)	**(11)**	(6)
Disposal of group undertakings	(9)	(1)	-	(10)	(5)	**(25)**	-
Transfers in/out	-	-	-	-	-	**-**	2
Reclassifications	-	1	-	-	-	**1**	1
Utilised during the period	(8)	-	(3)	(3)	(1)	**(15)**	(13)
At end of period	7	14	10	63	10	**104**	127
Analysed as:							
Current liabilities	6	5	10	12	5	**38**	40
Non-current liabilities	1	9	-	51	5	**66**	87

(i) Rationalisation costs include redundancy provisions as follows:

	By value		Related employee numbers	
	2006 € million	**2005 € million**	**2006**	**2005**
At beginning of period	**14**	8	**235**	149
Charged to profit and loss account	**5**	11	**90**	189
Disposal of group undertakings	**(8)**	-	**(160)**	-
Utilised during the period	**(6)**	(5)	**(89)**	(103)
At end of period	**5**	14	**76**	235

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

(ii) The environmental provisions consist of remediation and clean-up activities that need to be undertaken in the foreseeable future and of which the costs can reasonably be estimated.

(iii) Guarantee commitments relate to the anticipated cost of any warranties offered to customers. In addition if any refunds are allowed then a provision should be made for any estimate of giving these refunds.

(iv) 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.

25. Deferred tax

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2006 € million	2005 € million
Deferred tax assets	**25**	30
Deferred tax liabilities	**(175)**	(175)
	(150)	(145)

The following are the major deferred tax assets and liabilities recognised by Corus Nederland, and the movements thereon, during the current and prior period.

2006	Accelerated tax depreciation € million	Losses € million	Pension € million	Other € million	**Total € million**
At beginning of period	(133)	64	(20)	(56)	**(145)**
(Charged)/credited to profit and loss account	4	(7)	(15)	(39)	**(57)**
(Charged)/credited to equity	-	-	15	(1)	**14**
Disposals	45	(42)	(11)	46	**38**
At end of period	(84)	15	(31)	(50)	**(150)**

2005	Accelerated tax depreciation € million	Losses € million	Pension € million	Other € million	**Total € million**
At beginning of period	(137)	58	(28)	(86)	(193)
(Charged)/credited to profit and loss account	5	2	(14)	11	4
Exchange rate movements	(1)	1	-	-	-
(Charged)/credited to equity	-	-	22	(10)	12
Acquisitions	-	3	-	-	3
Reclassifications	-	-	-	29	29
At end of period	(133)	64	(20)	(56)	(145)

The deferred tax assets of € 25 million (2005: € 30 million) 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 with a value of € 154 million (2005: € 194 million).

At Balance Sheet date there are temporary differences associated with undistributed earnings of subsidiaries. No liability has been recognised in respect of these differences because the vast majority of these differences occur in the Netherlands, for which the participation exemption applies.

26. Deferred income

	Investment grants € million	**Total 2006 € million**	Total 2005 € million
At beginning of period	19	**19**	21
New contributions received	9	**9**	2
Released to profit and loss account	(1)	**(1)**	(3)
Accelerated releases to profit and loss account	(2)	**(2)**	-
Disposal of group undertakings	(2)	**(2)**	(1)
At end of period	23	**23**	19

27. Share capital

For more detailed information on share capital, see Company Accounts, Note 4.

Rights to subscribe for shares

Members of the Board of Management of Corus Nederland can participate in three share based payment schemes of Corus Group plc. These schemes are:

- The Corus Executive Share Options Scheme
- The Leveraged Equity Acquisition Plan
- Corus Sharesave Scheme Options

Employees of Corus Nederland can particpate in the Corus Sharesave Scheme Options.

Options acquired under one of these schemes are, after a certain period, exercisable in Ordinary shares in Corus Group plc.
The Accounts of Corus Nederland are not affected by the issue and/or exercise of these shares and options.

Share options

Under the Corus Executive Share Options Scheme options have been granted to members of the Board of Management and eligible senior managers of Corus Nederland to subscribe for Ordinary shares in Corus Group plc. The options are normally exercisable between the third and tenth anniversary of the grant, on condition that certain company performance criteria are met at the start of this period. Options are granted at a price, which is the average of the market value of an Ordinary share on the London Stock Exchange on the three business days immediately preceding the date of the grant.

Under the Proposed Acquisition all executive options became exercisable on 27 March and, to the extent not excercised, lapsed on 2 April 2007.

At the end of 2005 the following options were outstanding:

Year of issuance	No. of shares	Price per share	Normal dates of exercise
2000	2,745,436	117 pence	2003 - 2010
2001	3,149,463	54 pence	2004 - 2011

The price per share and the number of shares have been adjusted for the effects of the Placing and Open Offer in December 2003.

At the end of 2006 the following options were outstanding, prior to the share consolidation at 12 May 2006:

Year of issuance	No. of shares	Price per share	Normal dates of exercise
2000	2,420,615	117 pence	2003 - 2010
2001	2,829,444	54 pence	2004 - 2011

During the year under review no options were exercised, no new options were granted or other conditions were made. At 12 May 2006 5 shares were consolidated in 1 share. Options for 630,900 shares were forfeited.

After the share consolidation at 12 May 2006:

Year of issuance	No. of shares	Price per share	Normal dates of exercise
2000	484,123	585 pence	2003 - 2010
2001	565,889	270pence	2004 - 2011

During the year under review no options were exercised, no new options were granted or other conditions were made. On 12 May 2006 5 shares were consolidated in 1 share. Options for 126,180 shares were forfeited.

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 is to create a very strong link between business performance, senior executives' reward and shareholders' interests over the medium term.

For the Executive Committee members there are 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 are also subject to performance conditions which are described below; and
- Further shares from executives' own resources if they choose.

Awards of shares can also be made under the LEAP rules to executive committee members and some senior managers based on a percentage of salary (Conditional Shares).

Investment in any year is 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 will vest, provided the Company's Total Shareholder Return (TSR) is at or above the 50th percentile compared to a comparator group of companies over a three year performance period. The comparator group consists of the FTSE 250 at the date of the award, but excludes those companies in the finance sector. This performance condition was chosen because relative performance to a relevant group is 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.

Matching shares may also be awarded, with the number of potential matching shares determined by reference to the same performance condition, comparator group and performance period. Matching shares may apply to shares acquired by bonus deferral, conditional shares and shares transferred to the LEAP from the executive's own resources.

The Leveraged Equity Acquisition Plan (LEAP) was introduced in 2004 with the first grant of awards made on 22 April 2004.

At the end of 2006 options were outstanding as detailed below, prior to the share consolidation at 12 May 2006:

Type of award	Date of Grant	Number of Awarded	Price per share (p)
Conditional Share Award	22 April 2004	165,370	40
Conditional Share Award	11 May 2004	2,547,790	32
Conditional Share Award	30 April 2005	86,206	58
Conditional Share Award	20 May 2005	1,996,625	41.25
Conditional Share Award	6 March 2006	118,878	68.75
Conditional Share Award	6 April 2006	1,586,770	68.75

During the year 2006 485,126 options were forfeited, at 31 December 2006 no conditional shares awards were exercisable.

After the share consolidation at 12 May 2006:

Type of award	Date of Grant	Number of Awarded	Price per share (p)
Conditional Share Award	22 April 2004	33,074	200
Conditional Share Award	11 May 2004	509,558	160
Conditional Share Award	30 April 2005	17,241	290
Conditional Share Award	20 May 2005	399,325	206.25
Conditional Share Award	6 March 2006	23,776	343.75
Conditional Share Award	6 April 2006	317,354	343.75

During the year 2006 97,025 options were forfeited, at 31 December 2006 no conditional shares awards were exercisable.

Awards were based on market value of an ordinary share on the London Stock Exchange on the day prior to the award.

Corus Sharesave Scheme Options
Employees of the Dutch and German subsidiaries of Corus Nederland BV could participate in Corus Sharesave Schemes. In 2004 as well as in 2005 a Corus Sharesave Scheme was introduced. Options under this schemes are exercisable on completion of a three year savings contract. Options are granted at 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. The share price for the Sharesave Scheme 2004 has been determined at 42.5 pence and for the Sharesave Scheme 2005 at 39 pence.

At the end of 2006 3,145 employees participate in the Sharesave Scheme 2004. The maximum amount of shares to be issued to employees of the Dutch and German subsidiaries of Corus Nederland BV under this scheme totals 33,022,485.

At the end of 2006 a total number of 1,042 employees of the Dutch and German subsidiaries of Corus Nederland BV participate in the 2005 Corus Sharesave Scheme.
The maximum amount of shares to be issued to employees of the Dutch and German subsidiaries of Corus Nederland BV under this scheme totals 10,240,050.

Under the Proposed Acquisition employees may continue to make savings under the Scheme.

28. Reconciliation of movements in share capital and reserves

2006	Share capital € million	Share premium account € million	Consolidated reserves (see note i) € million	**Total** **€ million**
At beginning of period	354	353	1,571	**2,278**
Profit after taxation attributable to equity holders of the company	-	-	451	**451**
Repayment	-	(340)	-	**(340)**
Exchange translation differences on foreign currency net investments	-	-	(8)	**(8)**
Foreign exchange recycled on disposal of aluminium businesses	-	-	(1)	**(1)**
Actuarial losses on defined benefit plans (Note 36)	-	-	(23)	**(23)**
Net movement on cash flow hedges	-	-	(38)	**(38)**
Tax on items taken directly to reserves	-	-	22	**22**
Transfers of cash flow hedge reserve on disposal	-	-	(18)	**(18)**
Transfers of deferred taxes on cash flow hedge reserve on disposal	-	-	12	**12**
Dividends paid (Note 7)	-	-	(160)	**(160)**
At end of period	354	13	1,808	**2,175**

2005	Share capital € million	Share premium account € million	Consolidated reserves (see note i) € million	Total € million
At beginning of period	490	353	1,778	2,621
Adoption of IAS 32 and IAS 39	(136)	-	40	(96)
At beginning of period restated	354	353	1,818	2,525
Profit after taxation attributable to equity holders of the company	-	-	475	475
Exchange translation differences on foreign currency net investments	-	-	22	22
Actuarial losses on defined benefit plans (Note 36)	-	-	(90)	(90)
Net movement on cash flow hedges (Note 22)	-	-	(26)	(26)
Deferred tax on items taken directly to reserves	-	-	22	22
Dividends paid (Note 7)	-	-	(650)	(650)
At end of period	354	353	1,571	2,278

(i) Reconciliation of movements in capital and reserves

Consolidated reserves may be further analysed as follows **2006**	Hedging reserve € million	Translation reserve € million	Retained earnings € million	**Total** **€ million**
At beginning of period	14	17	1,540	**1,571**
Profit after taxation attributable to equity holders of the company	-	-	451	**451**
Exchange translation differences on foreign currency net investments	-	(8)	-	**(8)**
Foreign exchange recycled on disposal	-	(1)	-	**(1)**
Actuarial gains and losses on defined benefit plans	-	-	(23)	**(23)**
Net movement on cash flow hedges	(38)	-	-	**(38)**
Transfers of cash flow hedge reserve on disposal	(18)	-	-	**(18)**
Transfers of deferred taxes on cash flow hedge reserve on disposal	12	-	-	**12**
Tax on items taken directly to reserves	10	-	12	**22**
Dividends paid	-	-	(160)	**(160)**
Total equity at end of period	(20)	8	1,820	**1,808**

Consolidated reserves may be further analysed as follows 2005	Hedging reserve € million	Translation reserve € million	Retained earnings € million	Total € million
At beginning of period	-	(5)	1,783	1,778
Adoption of IAS 32 and IAS 39	40	-	-	40
At beginning of period restated	40	(5)	1,783	1,818
Profit after taxation attributable to equity holders of the company	-	-	475	475
Exchange translation differences on foreign currency net investments	-	22	-	22
Actuarial gains and losses on defined benefit plans	-	-	(90)	(90)
Net movement on cash flow hedges	(26)	-	-	(26)
Deferred tax on items taken directly to reserves	-	-	22	22
Dividends paid	-	-	(650)	(650)
Total equity at end of period	14	17	1,540	1,571

29. Minority interests

	2006 € million	2005 € million
At beginning of period	**33**	33
Retained loss	**(1)**	(6)
Disposal of group undertakings	**(28)**	-
Exchange rate movements	**(2)**	6
At end of period	**2**	33

30. Future capital expenditure

	2006 € million	2005 € million
Contracted but not provided for	**177**	120
Authorised but contracts not yet placed	**13**	364

The main schemes under construction relate to Corus Strip Products IJmuiden. The remaining to be spent on these projects is:

Replacement control system for the hot rolling mill	€ 10 million.
Galvanising and Cold Rolling capacity	€ 170 million.

31. Operating leases

	2006 € million	2005 € million
Committed amounts payable for the next year are:		
Leases of land and buildings expiring:		
Within one year	**-**	-
In years two to five	**-**	-
After more than five years	**2**	2
	2	2
Other leases (principally for plant and machinery) expiring:		
Within one year	**2**	9
In years two to five	**3**	6
After more than five years	**3**	4
	8	19
Future minimum lease payments for Corus Nederland at the end of the period are:		
Not later than one year	**10**	21
Later than one year and not later than five	**18**	25
More than five years	**10**	11
	38	57

32. Contingencies

	2006 € million	2005 € million
Guarantees given under trade agreements	**19**	1
Guarantees on behalf of joint ventures	**4**	2
Others	**38**	42

Some group companies have entered into long-term commitments for the purchase of raw materials, consumables and energy. In connection with these, they have also concluded long-term freight contracts. The commitments have in part been entered into with associated companies. The contracts, to which fixed prices apply in a few cases, are a normal feature of the industries concerned and cannot be regarded as exceptional in terms of their nature or magnitude.

33. Reconciliation of cash generated from operations

	Note	2006 € million	2005 € million
Profit after taxation		**450**	469
Adjustments for:			
Tax	6,7	**173**	179
Result on disposals	37	**(44)**	7
Interest income	5,7	**(17)**	(14)
Interest expense	5,7	**36**	43
Share of results of joint ventures and associated undertakings	12(iv)	**(15)**	5
Depreciation and amortisation including impairments (net of grants released)	2,7	**200**	283
Movement in pension prepayments and provisions		**(48)**	(55)
Movement in insurance and other provisions		**(7)**	17
Movement in inventories		**(210)**	(156)
Movement in receivables		**(157)**	97
Movement in payables		**266**	11
Rationalisation costs provided/(released)		**6**	13
Utilisation of rationalisation provisions	24	**(8)**	(7)
Net cash flow generated from operations		**625**	892

34. Reconciliation of net cash inflow to movement in net debt

	Note	2006 € million	2005 € million
Movement in cash and short term deposits		**33**	(165)
Movement in short term investments		**11**	(14)
Movement in debt		**175**	(196)
Change in net debt resulting from cash flows in period		**219**	(375)
Disposal of debt in subsidiary undertakings and businesses		**30**	-
Debt and liquid resources acquired	35	**10**	1
Effect of foreign exchange rate changes		**(2)**	(13)
Other non cash changes		**(8)**	(8)
Movement in net debt in period		**249**	(395)
Net debt at beginning of period		**(602)**	(71)
Adoption of IAS 32 and IAS 39		**-**	(136)
Adoption of IFRIC 4		**(39)**	-
Net debt at end of period		**(392)**	(602)

The adoption of IAS32, IAS39 and IFRIC 4 may be further analysed as follows:

Reclassification of preference shares	**-**	(136)
Adoption of IFRIC 4	**(39)**	**-**

35. Analysis of net debt

	31 Dec. 2004 € million	IAS32/39 € million	Cash Flow € million	Exchange rate changes € million	Other non cash changes € million	**31 Dec. 2005 € million**	**Adoption of IFRIC € million**	Cash Flow €millio	Exchange rate changes € million	Disposals € million	Other non cash changes € million	**31 Dec. 2006 €million**
Cash at bank and short term deposits	308	-	(161)	4	1	152	-	25	(2)	-	-	**175**
Bank overdrafts	(16)	-	(4)	(3)	-	(23)	-	8	-	-	-	**(15)**
Cash and cash equivalents	292	-	(165)	1	1	129	-	33	(2)	-	-	**160**
Short term investments	14	-	(14)	-	-	-	-	11	-	-	-	**11**
Liquid resources	306	-	(179)	1	1	129	-	44	(2)	-	-	**171**
Long term borrowings	(159)	(136)	(82)	(3)	-	(380)	-	90	-	21	-	**(269)**
Other loans	(193)	-	(116)	(11)	2	(318)	-	86	-	5	-	**(227)**
Obligations under finance leases	(25)	-	2	-	(10)	(33)	(39)	9	-	4	(8)	**(67)**
Total debt excluding bank overdrafts	(377)	(136)	(196)	(14)	(8)	(731)	(39)	185	-	30	(8)	**(563)**
Total net debt	(71)	(136)	(375)	(13)	(7)	(602)	(39)	229	(2)	30	(8)	**(392)**

36. Pensions and post retirement benefits

Introduction

Corus Nederland 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 and France, the assets of these schemes are held in separately administered funds.

The principal pension schemes of Corus Nederland are:

- 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 German schemes.

Corus Nederland 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 effect these funding arrangements.

Corus Nederland 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 Corus Nederland at rates specified by the rules of those plans. The only amounts included in the balance sheet for these schemes are those relating to the prior month's contribution that were not due to be paid until after the balance sheet date.

Actuarial assumptions

A range of assumptions must be used to determine the IAS19 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:

2006	**SPH**	**Germany**	**Other**
	%	**%**	**%**
Salary growth	**2.50**	**3.00**	**2.00 to 4.75**
Pension increases	**2.00**	**2.00**	**2.00**
Discount rate	**4.60**	**4.50**	**4.20 to 5.75**
Inflation	**2.00**	**2.00**	**3.00 to 4.50**
Expected return on plan assets			
Equities	**7.50**	**N/a**	**8.00**
Bonds	**4.50**	**N/a**	**5.40**
Property	**6.00**	**N/a**	**6.50**
Cash/Other	**6.50**	**N/a**	**3.50**

2005			
Salary growth	2.50	3.00	2.00 to 3.50
Pension increases	2.00	2.00	1.50 to 2.00
Discount rate	4.00	4.25	4.20 to 6.00
Inflation	2.00	2.00	2.00 to 2.50
Expected return on plan assets:			
Equities	7.00	N/a	8.40-9.50
Bonds	3.80	N/a	5.40-7.50
Property	6.00	N/a	N/a
Cash/Other	6.00	N/a	3.50-5.20

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 liabilities and pension increases are long term predictions based, mainly, on the yield gap between long term index-linked and fixed interest gilts. Corus Nederland 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. Mortality assumptions for the SPH scheme are based on the Dutch Table GBM 2000-2005, with an age set back of two years, which indicates for that today's 60-year old member is expected to live on average to around 80 years. The Heubeck 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.

Income statement costs
Under IAS 19 costs in relation to pension and post retirement plans 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 (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 national 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 within employee remuneration in the income statement.

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 the profit and loss account) 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	SPH € million	Germany € million	Other € million	**Total € million**
Current service cost	60	3	3	**65**
Interest cost	206	5	8	**219**
Expected return on plan assets	(260)	-	(9)	**(269)**
Past service cost – non vested benefits	17	-	-	**17**
Past service cost – vested benefits	(11)	-	(2)	**(13)**
Settlements and curtailments	-	-	1	**1**
Defined benefit schemes	12	8	1	**21**
Defined contribution schemes	-	-	8	**8**
Total charge for the period (Note 4)	12	8	9	**29**
2005				
Current service cost	52	3	4	59
Interest cost	218	7	10	235
Expected return on plan assets	(258)	-	(10)	(268)
Past service cost – vested benefits	-	-	(4)	(4)
Defined benefit schemes	12	10	-	22
Defined contribution schemes	-	-	15	15
Total charge for the period (Note 4)	12	10	15	37

The actual return on plan assets for the above schemes was € 77 million (2005: € 688 million).

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. 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	SPH € million	Germany € million	Other € million	**Total** **€ million**
Fair value of plan assets at end of period	5,211	1	88	**5,300**
Present value of obligation at end of period	(5,103)	(76)	(101)	**(5,280)**
Past service cost not yet recognised	18	-	-	**18**
Defined benefit asset/liability at end of period	126	(75)	(13)	**38**
Disclosed as:				
Defined benefit asset	126	-	2	**128**
Defined benefit-liability current	-	(1)	(1)	**(2)**
Defined benefit liability-non current	-	(74)	(14)	**(88)**
Arising from:				
Funded schemes	126	-	(13)	**113**
Unfunded schemes	-	(75)	-	**(75)**

Included with other programmes above are post-retirement medical and similar net obligations of € 11 million (2005:€ 26 million).

2005	SPH € million	Germany € million	Other € million	Total € million
Fair value of plan assets at end of period	5,302	-	162	5,464
Present value of obligation at end of period	(5,211)	(159)	(227)	(5,597)
Past service cost not yet recognised	35	-	-	35
Defined benefit asset/liability at end of period	126	(159)	(65)	(98)
Disclosed as:				
Defined benefit asset	126	-	2	128
Defined benefit-liability current	-	(2)	(4)	(6)
Defined benefit liability-non current	-	(157)	(63)	(220)
Arising from:				
Funded schemes	126	-	(62)	64
Unfunded schemes	-	(159)	(3)	(162)

The percentage of total plan assets for each category of investment was as follows:

2006	**SPH** **%**	**Germany** **%**	**Other** **%**
Equities	**21**	**N/a**	**3**
Bonds	**58**	**N/a**	**1**
Property	**9**	**N/a**	**-**
Cash/others	**12**	**N/a**	**96**
	100		**100**

2005	SPH %	Germany %	Other %
Equities	18	N/a	59
Bonds	56	N/a	31
Property	8	N/a	-
Cash/others	18	N/a	10
	100		100

Movement in the plan assets and benefit obligations during the period arose as follows:

2006	SPH € million	Germany € million	Other € million	**Total € million**
Plan assets				
Fair value at start of period	5,302	-	162	**5,464**
Expected return on plan assets	260	-	9	**269**
Employer's contributions	54	4	2	**60**
Employee's contributions	31	-	-	**31**
Disposal of group undertakings (see Note 37)	-	-	(76)	**(76)**
Benefit paid	(239)	(4)	(11)	**(254)**
Actuarial gain/(loss) on plan assets	(197)	1	4	**(192)**
Exchange movements	-	-	(2)	**(2)**
Fair value at end of period	5,211	1	88	**5,300**
Benefit obligations				
Benefit obligations at start of period	5,211	159	227	**5,597**
Current service cost	60	3	3	**66**
Interest cost	206	5	8	**219**
Employee's contributions	31	-	1	**32**
Disposal of group undertakings (see Note 37)	-	(79)	(102)	**(181)**
Past service cost	(11)	-	(2)	**(13)**
Benefits paid	(239)	(4)	(11)	**(254)**
Actuarial (gain)/loss on benefit obligation	(155)	(9)	(5)	**(169)**
Exchange movements	-	1	(18)	**(17)**
Benefit obligations at end of period	5,103	76	101	**5,280**

2005	SPH € million	Germany € million	Other € million	Total € million
Plan assets				
Fair value at start of period	4,754	-	131	4,885
Expected return on plan assets	258	-	10	268
Employer's contributions	54	6	-	60
Employee's contributions	31	-	1	32
Benefit paid	(213)	(6)	(17)	(236)
Actuarial gain/(loss) on plan assets	418	-	2	420
Exchange movements	-	-	35	35
Fair value at end of period	5,302	-	162	5,464
Benefit obligations				
Benefit obligations at start of period	4,614	139	187	4,940
Current service cost	52	3	4	59
Interest cost	218	7	10	235
Employee's contributions	31	-	1	32
Past service cost	35	-	-	35
Benefits paid	(213)	(6)	(17)	(236)
Actuarial (gain)/loss on benefit obligation	474	16	20	510
Exchange movements	-	-	22	22
Benefit obligations at end of period	5,211	159	227	5,597

The history of actuarial gains or losses is as follows:

	2006	2005	2004
Fair value of plan assets at end of the period (€ million)	**5,300**	5,464	4,885
Benefit obligations at end of period (€ million)	**5,280**	5,597	4,940
Experience adjustments on plan assets:			
Amount (€ million)	**(192)**	420	392
Percentage of plan assets (%)	**(3.6)**	7.7	8.0
Present value of benefit obligations at end of period:			
Changes in assumptions(€ million)	**(175)**	509	427
Experience losses(€ million)	**6)**	1	(6)
Total actuarial gains/losses on benefit obligations(€ million):	**(169)**	510	421
Experience losses as a percentage of benefit obligations (%)	**(3.2)**	9.1	8.5

Cumulative actuarial losses recorded in the statement of recognised income and expense since the date of transition to IFRS are € (142) million.

Forecast benefit payments over the next 10 years, relating to the Company's pension and post retirement benefit schemes, reflecting future service as appropriate, fall due as follows:

	2006 € million
2007	**244**
2008	**255**
2009	**268**
2010	**279**
2011	**290**
2011-2016	**1,441**

The estimated employer contribution to the Stichting Pensioenfonds Hoogovens Scheme for 2007 amounts to € 55 million. The employer contributions for 2007 in relation to other schemes are estimated to be consistent with 2006 levels.

37. Disposals

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 € 826 million. The net proceeds after deducting pension liabilities, net debt and minority interests were € 609 million, and are reconciled to the gain on disposal shown below.

	€ million	€ million
The net assets disposed of were as follows:		
Intangible assets	(7)	
Property, plant and equipment	(478)	
Deferred financial assets	(32)	
Deferred tax assets	(11)	
Inventories	(381)	
Trade receivables	(332)	
Cash and cash equivalents	(32)	
Trade payables	331	
Borrowings	179	
Retirement benefit obligations	105	
Tax liabilities	2	
Other financial liabilities	1	
Provisions	25	
Deferred tax liability	49	
Minority share of these net assets	28	
Net assets disposed of		(553)
Consideration satisfied by:		
Gross consideration	826	
Deduction for pension liabilities	(98)	
Deduction for minorities	(28)	
Cash proceeds received	700	
Applied for settlement of internal indebteness	(91)	
Cash consideration		609
Cash flow hedge reserve transferred on disposal		18
Tax on cash flow hedge reserve transferred on disposal		(12)
Cumulative foreign exchange reserve adjustments transferred on disposals		(1)
Transaction fees		(8)
Other costs arising on the disposal		(9)
Gain on disposal (included within profit after tax from discontinued operations)		44

The net cash flow arising on disposal may be analysed as follows:	€ million
Cash consideration for disposals during the period	609
Transaction fees	(8)
Cash and cash equivalents disposed of	(32)
	569

38. Related party transactions

The table below sets out details of transactions and loans between Corus Nederland and joint ventures and associated undertakings.

	2006 € million	2005 € million
Sales to joint ventures and associates	**127**	134
Sales to other Corus companies	**356**	380
Purchases from joint ventures and associates	**79**	82
Purchases of raw materials from other Corus companies, acting as an agent	**783**	741
Other purchases from other Corus companies	**273**	223
Loans to Corus Group plc	**200**	140
Loans to other Corus companies	**34**	34
Loans from Corus Group plc	**95**	138
Loans from other Corus companies	**75**	118

Corus Nederland and her subsidiaries enter into transactions with other group companies of the Corus Group. Sales and purchases are carried out against market conditions.

At the end of 2006 Corus International Services N.V. granted a short-term loan of € 200 million to Corus Group plc.(2005: € 140 million). Interest rate and other conditions of these loans are and were in conformity with market conditions.

The € 95 million loan from Corus Group plc at the end of 2006 refers to a long term loan of € 95 million to Corus Nederland granted on 27 September 2005 with maturity February 2009. Interest on this loan will be determined every six months and is based on market conditions. At the end of 2005 the loans from Corus Group plc included the € 95 million loan and a € 43 million short term loan to Corus Nederland granted on 19 December 2005 and with maturityl 9 January 2006.

Corus Nederland Treasury department and Corus Metal Trading BV are responsible for the external hedging of currency and metal risks. They also enter into transactions with Corus Group plc Treasury and Corus subsidiaries, which are not part of Corus Nederland. At the end of 2006 the fair value of the currency contracts with these parties amounted to € 1 million (2005: € 1 million); the fair value of the metal contracts with these parties amounted to € 1 million (2005: € (11) million).

Details of transactions with key management personnel are given in Further notes to and signature of the annual accounts.

39. Post balance sheet events

(i) The boards of Corus Group plc, Tata Steel and Tata Steel UK originally announced on 20 October 2006 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 455 pence 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 sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderurgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475 pence per ordinary share. This proposal was a firm intention to make an offer and was subject to certain pre-conditions, including completion of due diligence; finalisation on financing arrangements; and a recommendation from the Corus board.

Following this approach 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 the extraordinary general meeting (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 Group plc, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515 pence 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 500 pence for each Corus share.

The UK Panel on Takeovers and Mergers (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 608 pence per share, which was 5 pence higher than the final bid by CSN of 603 pence 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 twelve 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 608 pence per share, at an EGM and court meeting held on 7 March 2007. Corus’ shares subsequently ceased trading on each of the London, New York and Amsterdam Stock Exchanges on 20 March 2007. The scheme became wholly effective on 2 April 2007.

(ii) In conjunction with the transaction above, on 13 February 2007 Corus Nederland BV announced an offer for holders of its € 157 million Convertible Notes due 2007 to redeem the Bonds early. The offer reflected the underlying value of the bond, determined by the nominal amount, an entitlement to accrued interest and the conversion value related to Tata's offer of 608 pence per share; a premium of 0.25% was offered as an incentive for bondholders to vote in favour of the offer. This Offer was accepted in the meeting of the Bondholders on 7 March 2007 leading to early redemption on 4 April 2007, (two business days after the date that the scheme of arrangement became effective) and ahead of the maturity date of 22 April 2007.

40. Main subsidiaries and investments

The most important subsidiary undertakings, joint ventures and associates of Corus Nederland at 31 December 2006 are set out below. A complete list of subsidiary undertakings, joint ventures and associated undertakings will be attached to the Annual Report & Accounts to the Chamber of Commerce in Amsterdam.

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:

Belgium
Corus International Services NV
Societé Européenne de Galvanisation (Segal) SA

France
Corus Batiment et Systemes SA
Corus France SA
Myriad SA
Unitol SA
Sacra Nord SA

Germany
Blume Stahlservice GmbH
Corus Aluminium Voerde GmbH
Corus Degels GmbH
Fisher Profil GmbH
Hille & Müller GmbH

Hong Kong
Corus Special Strip Asia Limited

Italy
Corus Italia Srl

Netherlands
Aluminium Delfzijl BV
Corus Metal Trading BV
Corus Staal BV
Corus Tubes BV
Namascor BV
S.A.B. Profiel BV

Norway
Corus Packaging Plus Norway AS

Singapore
Corus Building Systems Pte Limited

Switzerland
Montana-Bausysteme AG

USA
Apollo Metals Limited
Thomas Steel Strip Corp

Joint ventures and associated undertakings

	Products	Annual sales € million		Issued capital Number of shares	% held
Netherlands					
HKS Scrap Metals BV	Purchase and sale of scrap	349	Shares of € 454	40,000	50
Laura Metaal Holding BV	Trading and processing of non-prime metal	123	Shares of € 454	5,600	49
Danieli Corus Technical Services BV	Supply of engineering, proprietary equipment and contracting in the metals industry	74	Shares of € 355	41,750	50

Unless indicated otherwise, subsidiary undertakings are ultimately wholly owned by Corus Nederland, and Corus Nederland holding comprises ordinary shares and 100% of the voting rights.

Parent company income statement

	2006 € million	2005 € million
Dividends received from group companies	**383**	500
Other income and charges, after taxation	**(145)**	(28)
Net profit after taxation	**238**	472

Considering the fact that the parent company's profit and loss account is included in the consolidated annual accounts, a summarised profit and loss account is prepared following Section 2: 402 of the Dutch Civil Code.

Parent company balance sheet

Before appropriation of the result for the year At 31 December 2006	Note	2006 € million	2005 € million
Non current assets	(1)		
Shares in group companies		**3,030**	3,034
Loans to group companies		**972**	955
Other non current assets		**1**	9
		4,003	3,998
Current assets			
Debtors	(2)	**277**	64
Cash and banks	(3)	**10**	15
		287	79
TOTAL ASSETS		**4,290**	4,077
Capital and reserves	(4)		
Issued share capital		**388**	488
Share premium account		**13**	353
General reserve		**1,079**	1,014
Unappropriated result		**75**	65
		1,555	1,920
Provisions	(5)	**0**	7
Non current liabilities	(6)		
Subordinated long-term loans		**-**	152
Other long-term loans		**231**	231
Other non current liabilities		**1**	11
		232	394
Current liabilities	(7)		
Short-term loans		**2,189**	1,600
Other short-term creditors		**311**	149
Dividend payable on preference shares		**3**	7
		2,503	1,756
TOTAL EQUITY AND LIABILITIES		**4,290**	4,077

Parent company 2006 accounts

Corus Nederland BV ("the Company") is the intermediate parent company of Corus Nederland and acts as a holding and financing company.

The shares of Corus Nederland BV are held by Corus Property Ltd and Corus CNBV Investments Ltd.

Presentation of parent company accounts and accounting policies

General
These Company Annual Accounts have been prepared in accordance with the statutory provisions of Part 9 Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board (Dutch GAAP). The Annual Accounts are prepared in euros. The Accounts are drawn up on the basis of historic cost. Unless otherwise indicated, assets and liabilities are stated at face value. The principles of valuation and determination of profit remain unchanged compared to the prior year.

Foreign currencies
Balance sheet items denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Income and expenditure in the income statement denominated in foreign currencies are translated at the average rates of exchange.

Derivative financial instruments
The treasury activities of Corus Nederland are performed by the Company. Derivative financial instruments, mainly forward foreign exchange contracts with group companies and external parties, are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Derivatives are accounted and measured at fair value from the date the contract is taken out. Changes in the fair value are recognised in the income statement as they arise.
These instruments are not held or issued for trading purposes.

Deferred taxation
Deferred taxes on temporary differences arising between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other are calculated for each taxable entity or tax group in accordance with the balance sheet liability method. Deferred tax assets and liabilities are measured at the tax rates at year end or at the rates prevalent in the next years, when these rates are laid down in law or if it has substantively been decided to.
In general no provisions are provided for deferred tax liabilities on interests in group and affiliated companies.
Deferred tax assets, including those resulting from tax loss carry-forwards, are recognised if it is probable that future taxable profits will be available against which they can be offset.

Non current assets
In the Company Balance Sheet group companies and non-consolidated companies are stated at cost. For group companies and non-consolidated companies acquired up to and including 31 December 2000 cost has been determined as the Corus Nederland's share of net assets as per 31 December 2000. Income from these investments comprises dividends declared up to the balance sheet date. Loans to group companies are stated at face value. Impairments are made if events or circumstances indicate that the carrying amounts may not be recoverable.

Impairment of non current assets
Non current assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. These reviews assess the recoverable amount by reference to the net present value of expected future cash flows of the relevant unit. The discount rate applied in the period, of 9.5 %, is based upon the weighted average cost of capital with appropriate adjustments for the risks associated with the relevant units.

Debtors
Debtors are stated net of provisions for doubtful accounts.

Provisions
Provisions are set up in respect of risks and commitments existing at balance sheet date, for which there is a legally enforceable or actual obligation and of which the size is uncertain but can be estimated using a reliable method.

Current liabilities
Amounts falling due within one year are regarded as short-term.

Long term loans
Long term loans are carried at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.

Dividend income
Dividends received are recorded as income if they are declared up to the balance sheet date.

Dividend distributions
Dividends payable on ordinary shares are reported as a liability if the General Meeting of Shareholders has decided to pay the dividend before the balance sheet date.

Costs
Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

Taxation
Taxes on income are accrued in the same periods as the revenues and expenses to which they relate, taking into account permanent differences. In computing the taxes current tax rates are applied. The difference between the taxation computed in this manner and that according to the tax regulations is included in the balance sheet as a deferred tax asset or liability.

Notes to the parent company accounts

Shares and loans group companies (1)

	Shares in group companies	Loans to own group companies	Loans to other Corus companies	**Total**
	€ million	€ million	€ million	**€ million**
Balance sheet value at 31 December 2005	3,034	946	9	**3,989**
Movements in 2006				
Investments	1,229	-	-	**1,229**
New loans	-	302	2	**304**
Disposal of investments	(1,019)	-	-	**(1,019)**
Loan redemptions	-	(292)	(3)	**(295)**
Impairment of loans	-	1	-	**1**
Reclassification	(7)	7	-	**-**
Repayments	(207)	-	-	**(207)**
At 31 December 2006	3,030	964	8	**4,002**

The investment in shares in group companies relates to the purchase of Corus International Services NV and a capital increase in Corus Aluminium NV. The disposal of investments relates to the sale of Corus Aluminium NV.

A complete list of subsidiary undertakings, joint ventures and associated undertakings will be attached to the Annual Report & Accounts to the Chamber of Commerce in Amsterdam.

The long-term loans to group companies also include loans, which although formally in the short-term category, are of a long-term economic nature. The group companies are included in Note 40 of the consolidated accounts.

Other non current assets (1)

	2006	2005
	€ million	€ million
Fair value of forward foreign currency contracts	**1**	**9**

Debtors (2)

	2006	2005
	€ million	€ million
Amounts owed by group companies	**207**	**10**
Corporate income tax receivable	**-**	**17**
Fair value of forward foreign currency contracts	**31**	**35**
Other debtors	**39**	**1**
Prepayments and accrued income	**-**	**1**
	277	**64**

Cash and banks (3)

Cash and banks consist of bank balances and deposits with a maturity within 3 months when acquired.

Capital and reserves (4)

	Issued share capital Ordinary shares € million	Preference shares € million	Share premium account € million	General Reserve € million	Unappro-priated result € million	Total € million
At 31 December 2004	352	136	353	1,264	-	2,105
Movements in 2005						
Profit for the year	-	-	-	-	472	472
Dividend on preference shares	-	-	-	-	(7)	(7)
Dividend on ordinary shares	-	-	-	(250)	(400)	(650)
At 31 December 2005	352	136	353	1,014	65	1,920
Movements in 2006						
Repayment	-	(100)	(340)	-	-	(440)
Appropriated result 2005	-	-	-	65	(65)	-
Profit for the year	-	-	-	-	238	238
Dividend on preference shares	-	-	-	-	(3)	(3)
Dividend on ordinary shares	-	-	-	-	(160)	(160)
At 31 December 2006	352	36	13	1,079	75	1,555

In 2006 dividends have been paid for a total amount of € 160 million. A dividend of € 3 million will be paid in 2007 on the preference shares. The Board of Management proposes to add the remaining amount to the general reserve.

The authorised share capital of the Company at 31 December 2006 amounts to € 1,361,340,648 (31 December 2005: € 1,361,340,648) and consists of 130,000,000 Ordinary shares of € 9.08 (NLG 20.00) each and 20,000,000 Preference shares of € 9.08 each.

Both at 31 December 2006 and at 31 December 2005 38,760,710 Ordinary shares were in issue to a nominal value of € 351,776,867. At 31 December 2005 15,000,000 Preference shares were in issue to a nominal value of € 136,134,065. During 2006 11.018,550 Preference shares were repaid. At 31 December 2006 3,981,450 Preference shares were in issue to a nominal value of € 36,134,065. All shares in issue have been fully paid up.

Both at 31 December 2006 and at 31 December 2005 € 349.0 million of the Ordinary shares was held by Corus Property Ltd. Corus CNBV Investments Ltd held a nominal € 2.8 million of Ordinary shares.
At 31 December 2005 Corus CNBV Investments Ltd held 10,000,000 Preference shares with a nominal amount of € 90.7 million and Corus Property Ltd held 5,000,000 Preference shares with a nominal amount of € 45.4 million. During 2006 all the Preference shares held by Corus Property Ltd. were repaid. During 2006 6.018.550 Preference shares held by Corus CNBV Investments Ltd. have been repaid. At 31 December 2006 Corus CNBV Investments Ltd held 3,981,450 Preference shares with a nominal amount of € 36.1 million.

In February 2005 Corus Group plc, the ultimate parent company of Corus Nederland, renewed its bank facility, using an EBITDA/ net interest cover ratio. The new ratio shall not be less than 3.5 until the end of December 2006, 4.0 until the end of 2007 and 4.5 until the end of 2008. Furthermore Corus Nederland's gearing shall not exceed 35% until the end of 2008. The fixed security of the shares of Corus Nederland and the minimum net tangible worth of € 2 billion remains in place.

From the share premium account, an amount of € 4.5 million may be distributed to shareholders free of Dutch dividend tax.

The difference between the capital and reserves of the Parent company only accounts and the consolidated accounts consists of:

	2006 € million		2005 € million	
Company only capital and reserves (Dutch GAAP)		**1,555**		1,920
Differences in 2006 and 2005 respectively				
Cumulative consolidated result excluding cumulative Company only result	**1,881**		1,285	
Movements in Reserves of consolidated companies	**(141)**		(94)	
Dividend received from group companies	**(1,073)**		(690)	
Dividend on preference shares	**10**		7	
Exchange rate differences	**(49)**		(42)	
		628		466
IFRS*-adjustments in 2004		**(12)**		(12)
IFRS*-adjustments 1 January 2005		**4**		(96)
Equity attributable to equity holders of the Company (IFRS*)		**2,175**		2,278

The IFRS-adjustments 1 January 2005 consists of:

	2006 € million	2005 € million
Hedging reserve	**40**	40
Preference shares	**(36)**	(136)
	4	(96)

IFRS* relates to International Financial Reporting Standards as adopted by the European Union (EU).

Provisions (5)

	2006 € million	2005 € million
Deferred taxation	**-**	**7**

Non current liabilities, borrowings (6)

	2006 € million				2005 € million			
	Total	Falling due: within one year	Falling due: after more than one year	Average rate of interest	Total	Falling due: within one year	Falling due: after more than one year	Average rate of interest
	€ million	€ Million	€ million	%	€ million	€ million	€ million	%
Subordinated long-term loans								
Convertible bond	**-**	-	-	-	152	-	152	4.6
Total	**-**	-	-	-	152	-	152	4.6
Other long-term loans								
Loan from Corus Group plc	**95**	-	95	2.7	95	-	95	2.7
Other bonds and debenture loans	**136**	-	136	5.6	136	-	136	5.6
Total	**231**	-	231	4.4	231	-	231	4.4

The redemption instalments of long-term loans falling due within one year are shown in the Balance Sheet under short-term loans (see note 7).

Other bonds and debenture loans (6)

	2006 € million	2005 € million
"Floting rate Euro 95 million loan 2005", redemption in 2009	**95**	95
"5 $^5/_8$ % NLG 300 million loan 1998", redemption in 2008	**136**	136

Other non current liabilities (6)

	2006 € million	2005 € million
Fair value of forward foreign currency contracts	**1**	11

Current liabilities (7)

	2006 € million	2005 € million
Short Term loans		
Loans from own group companies	**2,152**	1,482
Loans from other Corus companies	**37**	118
Total	**2,189**	1,600
Other short-term creditors		
Corporate income tax payable	**26**	45
Subordinated Convertible bond	**152**	-
Debts to group companies	**79**	42
Other financial liabilities	**34**	43
Other short-term creditors	**20**	19
Total	**311**	149

The subordinated convertible bond is the 4.625% loan of nominal € 157 million (NLG 345 million) issued in 1997, which is subordinated to the claims of other creditors, except those arising as a result of issues of similar loans. Redemption was scheduled for 2007. Corus Nederland BV may redeem the loan prematurely in its entirety from 2000 onwards subject to the condition that the closing price of Corus Group plc shares had been at least 130% of the then prevailing conversion price for 30 trading days in succession. If Corus Nederland BV wished to do so, notion should be given within 15 days following the last day of any said 30-day period. Up to the date of redemption the bonds may be converted into Corus Group plc shares at a conversion price of € 1.5707 (NLG 3.4613). Information on the credit facilities is presented in Note 20 of the consolidated accounts.

Contingent liabilities not appearing in Balance Sheet (8)

	2006 € million	2005 € million
Guarantees and securities on behalf of group companies	**30**	33

Corus Nederland BV has provided a declaration of liability, as referred to in Article 403, Book 2, of the Dutch Civil Code, for the debts of its subsidiaries Corus Technology BV, Corus Services Nederland BV and Hoogovens Finance BV.

Corus Nederland BV is the ultimate parent of the Dutch fiscal unity "Corus Nederland" and for this reason liable for all tax liabilities of this fiscal unity.

Difference between the Consolidated accounts and Parent company only accounts (9)

		2006 € million		2005 € million
Net result Consolidated accounts IFRS		**451**		475
Differences in 2006 and 2005 respectively				
Net consolidated result excluding Company only result	**(596)**		(503)	
Dividends received from group companies	**383**		500	
		(213)		(3)
Net result Company only accounts (Dutch GAAP)		**238**		472

No employees are employed by the Company (2005: 0).

Further notes to and signature of the annual accounts

Group and affiliated companies and other capital interests
A list forming part of the Annual Accounts with names and other particulars of companies in which Corus Nederland BV directly or via group companies participates or holds capital interests in other ways has been filed with the Trade Register in Amsterdam.

Remuneration of and loans to members of the Board of Management and of the Supervisory Board
An amount of € 1,483,969 (2005: € 1,438,941) was borne by the Company and its subsidiary or group companies in 2006 for remuneration of the members of the Board of Management of Corus Nederland BV.
A sum of € 225,391 (2005: € 200,120) was borne by the Company and its subsidiary or group companies in 2006 for the emoluments of former Board members.

The amounts of loans granted as at 31 December 2006 totalled € 164,589 (31 December 2005: 173,923). These were interest-free loans to members and former members of the Board of Management to finance purchases of accommodation. An amount of € 9,334 was repaid on these loans in 2006 (2005: € 9,334).

The Annual General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. This was last done in 2005, becoming effective in 2006.
An amount of € 86,325 (2005: € 80,182) was borne by the Company and its subsidiary or group companies in 2006 for remuneration of the members of the Supervisory Board of Corus Nederland BV. The members of the Supervisory Board do not own any securities in the Company’s capital or rights thereto.

Signature of Annual Accounts
The 2006 Annual Accounts of Corus Nederland BV have been signed by all the members of the Board of Management and by all the members of the Supervisory Board.
The Company has noted that the appointment of Mr Henstra as member of the Supervisory board appeared to be imperfect due to legal-technical reasons. Mr. Henstra's appointment to the SB is awaiting closure of certain formalities.

Board of Management

M.J. Oudeman, Chairman
A.M.M. Doeleman
M.M. McOmish

Supervisory Board

J.H. Schraven, Chairman
Th.M. Cohn
M.J.L. Jonkhart

IJmuiden, 13 June 2007

Other information

To the Supervisory Board and General Meeting of Shareholders of Corus Nederland BV

Auditors’ report

We have audited the accompanying annual accounts 2006 of Corus Nederland B.V., IJmuiden as set out on pages 22 to 79. The annual accounts consist of the consolidated annual accounts and the company financial statements. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of recognised income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company annual accounts comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the year then ended and the notes.

The management's responsibility

The management of the company is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of Corus Nederland B.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company annual accounts

In our opinion, the company annual accounts give a true and fair view of the financial position of Corus Nederland B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 13 June 2007

PricewaterhouseCoopers Accountants N.V.

A.G. Los RA

Appropriation of the result as provided for by the Articles of Association

From the profit as shown in the Accounts, the dividend due to holders of Preference shares is distributed first. The dividend rate for Preference shares is determined upon issue on the basis of the yield to maturity of government bond loans with a residual term of seven to eight years. The dividend rate is reviewed on this basis on 1 January following the year in which Preference shares had been in issue for eight years, and every eight years thereafter. The average dividend rate on the Preference shares in issue at 31 December 2006 was 3.85%.
If and in so far as the profit is not sufficient fully to effect the distribution as referred to in this paragraph, the shortfall shall be distributed from the reserves.

The amount remaining after this reservation shall be at the disposal of the Annual General Meeting of Shareholders.

If the Board of Management is authorised to issue shares, it may determine that a distribution on Ordinary shares shall be made in the form of Ordinary shares rather than cash or to provide holders of Ordinary shares with the choice to receive a distribution in the form of Ordinary shares or Preference shares instead of a distribution of cash from the amount of profit at the disposal of the Annual General Meeting of Shareholders. In so far as a distribution in shares is chosen, the amount of profit consequently not distributed in cash is added to the general reserve.

Appropriation of the result for the financial year 2006

In October 2006 the Board of Management and the Supervisory Board decided to pay an interim dividend of € 160 million to Corus Group plc.

Dividend

The Supervisory Board and the Board of Management propose to the shareholders to distribute no further dividend to the holders of Ordinary shares and thus to consider the interim dividend of €160 million of October 2006 as final payment for the year 2006.

Events after balance sheet date

(i) The boards of Corus Group plc, Tata Steel and Tata Steel UK originally announced on 20 October 2006 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 455 pence 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 sent to shareholders on 10 November 2006.

The Brazilian steel maker Companhia Siderurgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a cash offer for Corus at a price of 475 pence per ordinary share. This proposal was a firm intention to make an offer and was subject to certain pre-conditions, including completion of due diligence; finalisation on financing arrangements; and a recommendation from the Corus board.

Following this approach 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 the extraordinary general meeting (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 Group plc, CSN and CSN Acquisitions announced that they had reached agreement on the terms of a recommended pre-conditional acquisition at an offer price of 515 pence 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 500 pence for each Corus share.

The UK Panel on Takeovers and Mergers (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 608 pence per share, which was 5 pence higher than the final bid by CSN of 603 pence 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 twelve 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 608 pence per share, at an EGM and court meeting held on 7 March 2007. Corus' shares subsequently ceased trading on each of the London, New York and Amsterdam Stock Exchanges on 20 March 2007. The scheme became wholly effective on 2 April 2007.

(ii) In conjunction with the transaction above, on 13 February 2007 Corus Nederland BV announced an offer for holders of its € 157 million Convertible Notes due 2007 to redeem the Bonds early. This Offer was accepted in the meeting of the Bondholders on 7 March 2007 leading to early redemption on 4 April 2007, (two business days after the date that the scheme of arrangement became effective) and ahead of the maturity date of 22 April 2007.

(iii) In relation to the Tata Steel transaction on 27 April 2007 a voluntary note was given by Corus Group plc to the relationship banks to cancel its revolving credit facility. Facilities for Corus Nederland will be part of the facilities agreement signed by the new parent company Tata Steel UK Ltd on 30 April 2007.

Trustees' report for 2006

4 $^{5/8}$ % subordinated debenture loan
convertible into shares
1997 maturing 2007, amounting originally to € 156,554,175
to the debit of Corus Nederland BV (formerly Koninklijke Hoogovens NV)

Pursuant to Article 11 of the Trust Deed executed on 22 April 1997 before notary Mr R.J.C. van Helden, Amsterdam, most recently amended on 4 December 2006, we hereby report as follows on our activities.

In connection with the consolidation of the number of shares in issue as at 12 May 2006 the conversion price as from 12 May 2006 was adjusted from € 1.5707 to € 7.8533 per Ordinary share.

The bonds are convertible into ordinary Corus Group plc shares of GBP 0.50 par value throughout the remaining term of the loan.

Pursuant to Article 4 (11) of the Trust Deed, evidence of registration has been lodged in the name of the trustee in respect of a sufficient number of Ordinary shares to enable complete conversion of all outstanding bonds to take place.

On 20 October 2006 Corus Group Plc announced that agreement had been reached with Tata Steel Limited (Tata) and Tata Steel UK Limited concerning the acquisition (the offer) of the entire issued and to be issued share capital of Corus Group Plc.

In this connection a proposal was made to holders of the present bond loan for the early redemption of the loan on the conditions set out in that proposal.

On 4 December 2006 a meeting of bondholders was held at which the proposal could be voted upon. In addition Trust Deed was submitted to the meeting. At this meeting 87.97% of the outstanding amount of the loan was represented. The proposal, including the amendment of the Trust Deed, was adopted by 99.9% of the bondholders represented.

A supplementary Trust Deed was notarially executed on 4 December 2006.

The pre-conditions under which Tata was prepared to declare the offer effective were not however fulfilled; as a result of a competing offer for the issued capital in Corus Group Plc by Companhia Siderurgica Nacional (CSN) the acquisition was delayed and will not come effective until after 28 February, the last date of the proposal.

On 31 January 2007 the competing Tata and CSN offers were decided in favour of Tata. A revised proposal for early redemption was then submitted to the holders of the present bond loan, to be voted on at a meeting of bondholders on 7 March 2007.

During the reporting year no bonds were offered for conversion. The amount of the loan outstanding at 31 December 2006 was € 151,873,432.

NV Algemeen Nederlands Trustkantoor ANT

L.J.J.M. Lutz

Amsterdam, 19 February 2007

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