

EUROSTEEL PRODUCTS LIMITED

Directors' Report and Financial Statements

31st December 1998



A member of the Stemcor Holdings Group

STEMCOR

EUROSTEEL PRODUCTS LIMITED

Report and Financial Statements 31st December 1998

Pages	1	Company Information
	2-4	Report of the Directors
	5	Auditors' Report
	6	Profit and Loss Account
	7	Balance Sheet
	8	Reconciliation of Movements in Shareholders' Funds
	9	Accounting Policies
	10-13	Notes to the Accounts

Company Information

Directors	R.D. Oppenheimer (Chairman) H. Edmonds P.G. Astles M. Varney P.A.Emsley P. Parker
-----------	--

Secretary	B.A.Levine
-----------	------------

Registered Office	Walker House 87 Queen Victoria Street London EC4V 4AL
-------------------	---

Registered Number	759991
-------------------	--------

Auditors	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR.
----------	---

Principal Bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX Crédit Agricole Indosuez 122 Leadenhall Street London EC3V 4QH
-------------------	---

Report of the Directors for the year ended 31st December 1998**Accounts**

The directors present their report and financial statements for the year ended 31st December 1998.

Principal Activities

The principal activity of the company in the year under review was trading as steel merchants. The directors do not anticipate any change in the business in the coming year.

Financial Results

The results for the year are set out on page 6.

Dividend

The directors do not recommend payment of a dividend.

Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the Directors for the year ended 31st December 1998 (continued)**Directors**

The directors who held office throughout the year were as follows:

P.G. Astles
P.A. Emsley
H. Edmonds
R.D. Oppenheimer
P. Parker
M. Varney

The directors held no interest in the company's shares during the year. The directors are eligible to participate in a sharesave scheme and an executive share scheme of the ultimate parent company, Stemcor Holdings Limited. The interests of directors in the shares of the ultimate parent company are disclosed in the financial statements of that company, except for those shown below:-

	Ordinary Shares		Options	
	1998	1997	1998	1997
P.G. Astles		1,750		1,750
M. Varney	1,250		8,000	
P.A. Emsley	6,500		7,248	
P. Parker	-	-	6,000	

The exercise price of the share options is £2.50 and the exercise date is 23 July 2000.

R.D. Oppenheimer's and H. Edmonds' interests in the shares of the ultimate parent company are disclosed in the financial statements of that company.

Year 2000

The company has a project designed to tackle the universal problem associated with the Year 2000 in its computer systems so that the issue is resolved without material impact on its operations. So far no major risks have been identified. The estimated costs associated with the Year 2000 are not material and have mostly been incurred in the period under review.

European Monetary Union

The company had taken all reasonable measures to enable it to transact in Euros with customers and suppliers when EMU came into effect on 1 January 1999. Preparations included the establishing of Euro bank facilities, updating the relevant computer systems and, where necessary, the training of staff. As at 31 December 1998, the company does not envisage reporting in Euros until the UK participates in EMU.

Report of the Directors for the year ended 31st December 1998 (continued)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Deloitte & Touche be reappointed as auditors will be put to the Annual General Meeting.

By Order of the Board



B. A. Devine

Secretary

Walker House

87 Queen Victoria Street

London EC4V 4AL

30 April 1999

Auditors' Report to the members of Eurosteel Products Limited.

We have audited the financial statements set out on pages 6 to 13, which have been prepared under the accounting policies set on page 9.

Respective responsibilities of directors and auditors.

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 1998 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte and Touche
Chartered Accountants
Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

23 July 1999

Profit and Loss Account for the year ended 31st December 1998.

	Notes	1998	1997
		£000's	£000's
Turnover	1	48,362	49,082
Cost of sales		(45,233)	(45,952)
Gross profit		3,129	3,130
Distribution costs		(828)	(915)
Administrative expenses		(845)	(641)
Operating profit	2	1,456	1,574
Interest receivable	5	36	51
Interest payable	6	(1,722)	(1,441)
(Loss)/profit on ordinary activities before taxation		(230)	184
Tax credit/(charge) on (loss)/profit on ordinary activities	7	34	(57)
(Loss)/profit on ordinary activities after taxation		(196)	127
Retained profit brought forward		175	48
Retained (loss)/profit carried forward		(21)	175

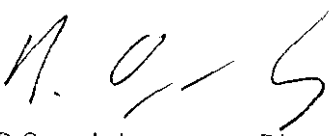
The results above are derived solely from continuing operations.

The company has no recognised gains or losses for this or the prior year other than the result as disclosed above.

Balance Sheet as at 31st December 1998

	Notes	1998 £000's	1997 £000's
Current assets			
Stocks	8	9,025	5,029
Debtors		15,364	16,005
Less: non-returnable proceeds		(12,150)	-
	9	3,214	16,005
Cash at bank and in hand		394	687
		<u>12,633</u>	<u>21,721</u>
Creditors: amounts falling due within one year	10	(12,154)	(21,046)
Net current assets		<u>479</u>	<u>675</u>
Total assets less current liabilities		<u>479</u>	<u>675</u>
Capital and reserves			
Called up share capital	11	500	500
Profit and loss account		(21)	175
Equity shareholders' funds		<u>479</u>	<u>675</u>

These accounts were approved by the board of directors on 30 April 1999 and signed on its behalf by:


 R.D. Oppenheimer Director

Reconciliation of Movements in Shareholders' Funds for the year ended 31st December 1998

	1998	1997
	£000's	£000's
(Loss)/profit for the financial year	(196)	127
Opening shareholders' funds	675	548
Closing shareholders' funds	<hr/> 479	<hr/> 675

Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

Turnover

Turnover represents the invoiced amount of goods sold net of value added tax.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The credit for taxation is based on the loss for the year. Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pension Costs

The company is a member of the group pension scheme, the "Stemcor Group Retirement Scheme", which operates as a defined contribution scheme.

Contributions to the defined contribution scheme are charged to the profit and loss account as they are made. Details of the scheme are included in the financial statements of Stemcor Holdings Limited, the holding company.

Foreign currencies

Transactions in foreign currencies are recorded in sterling using the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than pounds sterling are translated at the effective rate of exchange ruling at 31 December, and gains or losses on translation are included in the profit and loss account.

Notes to the Accounts**1 Segmental analysis**

The turnover is all attributable to the principal activity and to invoicing from the UK.

A geographical analysis of turnover is given below:

	1998	1997
	£000's	£000's
United Kingdom	47,507	48,436
Europe	855	646
	48,362	49,082

2 Operating profit

The operating profit is stated after charging:

	1998	1997
	£000's	£000's
Staff costs (note 3)	811	777
Auditors' remuneration for audit services	24	24
	835	801

3 Employees

	1998	1997
	£000's	£000's
Wages and salaries	678	669
Social security costs	78	64
Other pension costs (note 15)	55	44
	811	777

The average weekly number of employees during the year was as follows:

	1998	1997
	No.	No.
Sales and distribution	11	14
Office and management	8	9
	19	23

Notes to the accounts (continued)**4 Directors' remuneration**

Directors' remuneration for executive services amounted to £315,094 in the year (1997- £244,101).

The emoluments of the highest paid director, were £136,096 including pension contributions of £9,600 (1997 - £102,123 including pension contributions of £7,901). Five directors are members of the Stemcor Group Retirement Scheme, which is a defined pension scheme (1997-5).

The directors are eligible to participate in a sharesave scheme and executive share option scheme of the ultimate holding company, Stemcor Holdings Limited.

5 Interest receivable

	1998	1997
	£000's	£000's
Interest on bank deposits	36	38
Interest receivable from parent and fellow subsidiary undertakings	-	13
	<u>36</u>	<u>51</u>

6 Interest payable

	1998	1997
	£000's	£000's
Interest on bank overdrafts	967	743
Interest payable to parent and fellow subsidiary undertakings	755	698
	<u>1,722</u>	<u>1,441</u>

7 Tax (credit)/charge on(loss)/profit on ordinary activities

	1998	1997
	£000's	£000's
Corporation tax – (credit)/charge for the year at 31% (1997 – 31.5%)	(71)	58
Tax charge/(credit) in respect of previous years	37	(1)
	<u>(34)</u>	<u>57</u>

Notes to the accounts (continued)8. Stocks

	1998	1997
	£000's	£000's
Finished goods and goods for resale	9,025	5,029

9. Debtors

	1998	1997
	£000's	£000's
Trade debtors subject to discounting arrangements	13,710	-
Less: non-returnable proceeds	(12,150)	-
	1,560	
Other trade debtors	415	15,110
Amounts owed by parent and fellow subsidiary undertakings	7	-
Prefinance to Mills	205	220
Other debtors	564	303
Corporation tax	262	162
Prepayments and accrued income	201	210
	3,214	16,005

Non-returnable proceeds received represent cash received under discount arrangements for certain credit insured debts which, under the terms of the discounting arrangements, are not repayable.

10. Creditors: Amounts falling due within one year

	1998	1997
	£000's	£000's
Bank loans and overdrafts	5,428	8,069
Trade creditors	660	705
Amounts owed to parent and fellow subsidiary undertakings	2,918	8,773
Other creditors	819	882
Accruals	2,329	2,617
	12,154	21,046

11. Called up share capital

	1998	1997
	£000's	£000's
Authorised: 1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted: Called up and fully paid: 500,000 ordinary shares of £1 each	500	500

Notes to the accounts (continued)**12. Ultimate parent company**

The ultimate parent company and controlling entity of Eurosteel Products Limited is Stemcor Holdings Limited which is incorporated in Great Britain and registered in England and Wales. The largest and smallest group which consolidates the company's accounts is Stemcor Holdings Limited.

Copies of the ultimate parent company's accounts can be obtained from:

Companies House
Crown Way
Cardiff
CF4 3UZ

13. Financial commitments

There were no capital commitments at 31st December 1998 (1997 - £ nil).

14. Contingent liabilities

At 31st December 1998 the company had no material contingent losses or gains. The company has entered into cross-guarantees in respect of bank facilities shared with certain group undertakings.

15. Pensions

The pension charge for the year in respect of the defined contribution scheme amounted to £55,000 (1997 - £44,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16. Related party transactions

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No 8. Related Party Disclosures, not to disclose transactions with Stemcor Holdings Limited group companies.