

# **EUROSTEEL PRODUCTS LIMITED**

## **Report and Financial Statements**

**31 December 2005**



# **EUROSTEEL PRODUCTS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

### **CONTENTS**

### **Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b><i>Independent auditors' report</i></b>	<b>4</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Reconciliation of movements in equity shareholders' funds</b>	<b>9</b>
<b>Notes to the accounts</b>	<b>10</b>

# **EUROSTEEL PRODUCTS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Ralph D. Oppenheimer  
Julian Verden  
Ian White  
Paul G. Astles  
Peter A. Emsley  
Mark Varney

#### **SECRETARY**

Andrew S. Goldsmith

#### **REGISTERED OFFICE**

Level 27  
CityPoint  
1 Ropemaker Street  
London EC2Y 9ST

#### **PRINCIPAL BANKERS**

Barclays Bank PLC  
54 Lombard Street  
London EC3V 9EX

Natexis Banques Populaires  
BP4, 75060 Paris  
Cedex 02

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

# Eurosteel Products Limited

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company in the year under review was trading in steel products and in raw materials for the production of steel. The directors do not anticipate any change in the business activity in the coming year.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 7.

The directors do not propose payment of a final dividend. (Proposed dividend 2004 £1,600,000 which was paid in 2005).

### DIRECTORS AND THEIR INTERESTS

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

Ralph D. Oppenheimer  
Julian Verden (appointed 23 June 2005)  
Ian White (appointed 30 September 2005)  
Paul G. Astles  
Peter A. Emsley  
Mark Varney  
Philip Parker (resigned 30 September 2005)

The directors held no interest in the company's shares or the shares of any other group company during the year, except as noted below. The directors, except Ralph Oppenheimer, are eligible to participate in a sharesave scheme and an executive share scheme of the ultimate parent company, Stencor Holdings Limited. The interests of the directors in the shares, at the year end or date of resignation/appointment, of the ultimate parent company are disclosed in the financial statements of that company, except for those shown below:

	Ordinary Shares		Options	
	2005	2004	2005	2004
Paul G. Astles	16,250	11,750	3,000	-
Peter A. Emsley	10,500	10,500	3,000	2,000
Philip Parker	6,000	-	-	6,000
Ian White	750	750	1,000	-
Mark Varney	12,250	9,250	3,000	-

The exercise price of the share options on 2,000 shares is £2.50 and the options are exercisable until 23 July 2007, the exercise price on all the other share options is £10.00 and the options are exercisable until 30<sup>th</sup> September 2011.

### OPERATIONAL AND FINANCIAL RISKS

The Directors use financial instruments to hedge against the currency movements for trading exposures. As there is no practicable way to hedge the company's exposure to price movements in the products it trades, trading exposures are a major risk category and one that is monitored especially closely. The company's unsold forward positions and unsold stocks are small compared with the company's trading volumes. Debtor exposures are mitigated by credit insurance and guarantees. The overwhelming majority of the company's transactions are self-liquidating, which greatly reduces the exposure to cash flow risk.

**EUROSTEEL PRODUCTS LIMITED**  
**DIRECTORS' REPORT (continued)**

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

  
Andrew S. Goldsmith

Secretary

22 June 2006

## **EUROSTEEL PRODUCTS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROSTEEL PRODUCTS LIMITED**

We have audited the financial statements of Eurosteel Products Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in equity shareholders' funds and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROSTEEL PRODUCTS LIMITED (CONTINUED)**

### **OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

*27 June* 2006



# EUROSTEEL PRODUCTS LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Note	2005 £'000	Restated 2004 £'000
<b>TURNOVER</b>	2	134,944	123,714
Cost of sales		(127,595)	(114,381)
<b>GROSS PROFIT</b>		7,349	9,333
Distribution costs		(1,817)	(2,540)
Administrative expenses		(1,211)	(1,694)
Other operating income		221	223
<b>OPERATING PROFIT</b>	3	4,542	5,322
Interest receivable and similar income	4	11	8
Interest payable and similar charges	5	(4,451)	(2,376)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		102	2,954
Tax on profit on ordinary activities	8	(50)	(902)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		52	2,052
Equity dividends	9	(1,600)	(500)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(1,548)	1,552
<b>RETAINED PROFIT BROUGHT FORWARD</b>		3,650	2,098
<b>RETAINED PROFIT CARRIED FORWARD</b>		2,102	3,650

The results above are derived solely from continuing operations.

There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

# EUROSTEEL PRODUCTS LIMITED

## BALANCE SHEET

As at 31 December 2005

	Note	2005 £'000	Restated 2004 £'000
<b>CURRENT ASSETS</b>			
Stocks	10	25,712	48,381
Debtors	11	30,298	62,278
Less: non-returnable proceeds		(20,852)	(36,174)
		9,446	26,104
Cash at bank and in hand		-	115
		35,158	74,600
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	(32,556)	(70,450)
<b>NET CURRENT ASSETS</b>		2,602	4,150
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,602	4,150
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	500	500
Profit and loss account		2,102	3,650
<b>EQUITY SHAREHOLDERS' FUNDS</b>		2,602	4,150

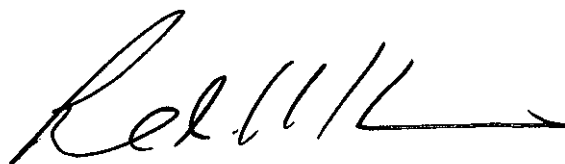
These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Paul G. Astles

Director

22. June 2006.



## **Eurosteel Products Limited**

### **RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

**For the year ended 31 December 2005**

	<b>2005</b> <b>£'000</b>	<b>Restated</b> <b>2004</b> <b>£'000</b>
Profit for the financial year	52	2,052
Dividends	(1,600)	(500)
<b>NET (REDUCTION) / ADDITION TO EQUITY SHAREHOLDERS' FUNDS</b>	<b>(1,548)</b>	<b>1,552</b>
Opening equity shareholders' funds	4,150	2,598
<b>CLOSING EQUITY SHAREHOLDERS' FUNDS</b>	<b>2,602</b>	<b>4,150</b>

The impact of adopting FRS 21 on opening equity shareholders' funds in the comparative period is set out below:

	<b>2004</b> <b>£'000</b>
Opening equity shareholders' funds as previously stated	2,098
Impact of adopting FRS 21	500
<b>Opening equity shareholders' funds restated</b>	<b>2,598</b>

## **NOTES TO THE ACCOUNTS**

### **Year ended 31 December 2005**

#### **1. 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 United Kingdom law and accounting standards.

The particular accounting policies are described below and with the exception of the adoption of Financial Reporting Standard Number 21 "Events after the balance sheet date" ("FRS 21") have been applied consistently throughout the current and preceding year.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the company.

##### **RESTATEMENT**

The profit and loss account, balance sheet and reconciliation of movements in equity shareholders' funds have been restated for the year ended 31 December 2004 as a result of the adoption of FRS 21. The impact of adopting FRS 21 increases net assets as at 31 December 2004 by £1,600,000.

##### **TURNOVER**

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

##### **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 payable. Details of the scheme are included in the financial statements of Stemcor Holdings Limited, the ultimate parent company.

##### **FOREIGN CURRENCIES**

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in currencies other than 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.

##### **STOCKS**

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

##### **TAXATION**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**2. SEGMENTAL ANALYSIS**

The segmental analysis of turnover by destination is as follows:

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
United Kingdom	126,432	120,790
Europe	8,512	2,924
	<u>134,944</u>	<u>123,714</u>

Full segmental information has not been disclosed above as permitted by Statement of Standard Accounting Practice No.25: Segmental Reporting. In the opinion of the directors, such disclosure would be commercially sensitive.

**3. OPERATING PROFIT**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
The operating profit is stated after charging:		
Auditors' remuneration – audit services	47	37
	<u>47</u>	<u>37</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Interest from customers and suppliers	11	5
Interest from fellow subsidiary undertakings	-	3
	<u>11</u>	<u>8</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Interest on bank overdrafts and loans	3,972	2,331
Interest to parent and fellow subsidiary undertakings	479	45
	<u>4,451</u>	<u>2,376</u>

**6. EMPLOYEES**

The total employment costs of all employees (including directors) are as follows:

<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
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## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

Wages and salaries	1,387	2,605
Social security costs	137	127
Other pension costs (note 14)	95	99
	<u>1,619</u>	<u>2,831</u>

The average monthly number of employees (including directors) during the year was 22 (2004: 22)

### 7. DIRECTORS' EMOLUMENTS

Directors' remuneration for executive services amounted to £962,165 in the year (2004 – £452,278). The emoluments of the highest paid director were £433,537 (2004 – £180,463), including pension contributions of £12,360 (2004 – £12,000). Five directors are members of the Stemcor Group Retirement Scheme, which is a defined contribution pension scheme. Total pension contributions made by the company for the directors were £34,344 in the year (2004 – £33,029).

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

### 8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
<i>Current taxation</i>		
UK corporation tax for the year	50	905
Overprovision of tax in prior year (group relief)	-	(3)
Total current tax	<u>50</u>	<u>902</u>
Tax on profits on ordinary activities	<u>50</u>	<u>902</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year is more/less than the standard rate for the reasons set out in the following reconciliation:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	102	2,954
Tax at 30% (2004: 30%)	<u>30</u>	<u>886</u>
Effects of:		
Permanent differences	20	19
Adjustments to tax charge in respect of previous periods	-	(3)
Current tax charge for the year	<u>50</u>	<u>902</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2005**

**9. EQUITY DIVIDENDS**

A dividend of £1,600,000 was paid in 2005 (2004 - £500,000). No final dividend is proposed for 2005.

**10. STOCKS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods and goods held for resale	25,712	48,381

**11. DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors covered by credit insurance, subject to discounting arrangements	28,225	55,687
Less: non-returnable proceeds	(20,852)	(36,174)
	7,373	19,513
Amounts owed by group undertakings	1,167	2,392
Prefinance to mills	362	2,298
Other debtors	4	80
Prepayments and accrued income	540	1,821
	9,446	26,104

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.

**12. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR**

	<b>2005</b>	<b>Restated 2004</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	19,775	50,810
Trade creditors	4,831	8,343
Amounts owed to group undertakings	5,007	3,794
Other creditors	1,014	888
Accruals and deferred income	1,929	6,615
	32,556	70,450

**13. SHARE CAPITAL**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised share capital:</b>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
500,000 ordinary shares of £1 each	500	500

## **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2005**

### **14. PENSION COSTS**

The pension cost charge represents contributions paid by the company to the defined contribution scheme and amounted to £95,000 (2004 – £99,000).

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

### **15. CONTINGENT LIABILITIES**

At 31 December 2005 the company had no material contingent liabilities other than in the normal course of trade (2004: £nil). The company has entered into cross-guarantees in respect of bank facilities shared with certain group undertakings.

### **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 Transactions, not to disclose transactions with Stemcor Holdings Limited group companies.

### **17. ULTIMATE PARENT COMPANY**

The ultimate and immediate parent company is Stemcor Holdings Limited which is incorporated in Great Britain and registered in England and Wales. The Company is ultimately controlled by Mr R D Oppenheimer, the Chairman, and his relatives, who in aggregate have an interest in 82% of the issued share capital of Stemcor Holdings Limited. 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  
Maindy  
Cardiff, CF14 3UZ