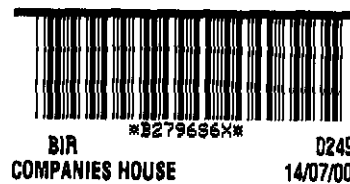


D&J Steels Limited

Directors' report and financial statements

For the year ended 30 September 1999
Registered number 00993624



Directors' report and financial statements

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Directors' report

The directors present their annual report and financial statements for the year ended 30 September 1999.

Principal activity

The principal activity of the company continues to be that of steel stockholding.

Business review and future developments

Turnover for the year was lower than anticipated due to tough market conditions. The situation improved towards the year end and the directors anticipate turnover and profit growth for the future.

Dividends

The directors recommend that no final dividend be paid for the year ended 30 September 1999 (1998 £Nil). No interim dividend was paid during the year (1998: £160,000).

Political contributions and charitable donations

The company made charitable donations of £30 during the year (1998: £195). There were no political contributions.

Year 2000 compliance

The directors are aware of the importance of the Year 2000 issue and the impact it could have on many areas of the business, both internally and with regard to its relationship with the outside world.

A review designed to address the impact of the Year 2000 on the business has been completed and systems have been updated to reflect the issues identified during the project. However, given the complexity of the problem, no set of measures can absolutely guarantee coverage of all the issues involved. The estimated cost of specific Year 2000 work undertaken is not material.

Discussions have also been held to consider contingency planning and management are confident that reasonable steps have been taken.

Directors and their interests

The directors serving during the year were as follows:

DL Grove (appointed 21 June 1999)

HC Everett

E Fisher

P Harper

Mr DL Grove and Mr HC Everett are directors of the ultimate holding company, Hill & Smith Holdings PLC, and their interests in the shares and shares options of that company are shown in its financial statements.

Directors' report (continued)

Directors and their interests (continued)

The interests of the other directors in the shares and share options of Hill & Smith Holdings PLC are detailed as follows:

Shares

	30 September 1999	30 September 1998
E Fisher	-	-
P Harper	4,072	4,072

Share options

	At 30.9.98	Granted during year	Lapsed during year	At 30.9.99	Exercise price p	Date exerisable	Expiry date
E Fisher							
1	11,200	-	-	11,200	113.597	20.02.99	04.08.02
2	2,299	-	-	2,299	90.00	01.04.00	01.10.00
2	2,454	-	-	2,454	66.00	01.04.02	01.10.02
2	-	8,855	-	8,855	41.33	01.03.04	01.09.04
	15,953	8,855	-	24,808			
P Harper							
1	11,200	-	-	11,200	113.597	20.02.99	04.08.02
2	3,065	-	-	3,065	90.00	01.04.00	01.10.00
2	3,090	-	-	3,090	66.00	01.04.02	01.10.02
2	-	4,355	-	4,355	41.33	01.03.04	01.09.04
	17,355	4,355	-	21,710			

1 These options were granted under the 1995 Executive Share Option Scheme

2 There options were granted under the 1985 Savings Related Share Option Scheme

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



K.J. Jarvis
Secretary

Springvale Business and Industrial Park
Bilston
West Midlands
WV14 0QL

30 November 1999

Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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 have 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditor's report to the members of D&J Steels Limited

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4, 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 30 September 1999 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 November 1999

Profit and loss account
for the year ended 30 September 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	6,968,132	8,617,505
Cost of sales		(6,443,658)	(7,754,052)
Gross profit		524,474	863,453
Distribution costs		(130,105)	(151,983)
Administrative expenses		(368,213)	(516,083)
Operating profit		26,156	195,387
Interest payable and similar charges	6	-	(34,948)
Profit on ordinary activities before taxation	3	26,156	160,439
Tax on profit on ordinary activities	7	(12,000)	(61,648)
Profit for the financial year		14,156	98,791
Dividends	8	-	(160,000)
Retained profit/(deficit) for the year		14,156	(61,209)
Retained profit brought forward		478,302	539,511
Retained profit carried forward		492,458	478,302

All activity, in both current and preceding years, arises from continuing operations.

Balance sheet
as at year ended 30 September 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	9	638,001	765,329
Current assets			
Stocks	10	761,979	1,045,819
Debtors	11	1,947,135	2,071,846
Cash at bank and in hand		667,540	574
		<u>3,376,654</u>	<u>3,118,239</u>
Creditors: Amounts falling due within one year	12	<u>(3,228,996)</u>	<u>(2,952,788)</u>
Net current assets		<u>147,658</u>	<u>165,451</u>
Total assets less current liabilities		<u>785,659</u>	<u>930,780</u>
Provisions for liabilities and charges	13	<u>(15,000)</u>	<u>(39,277)</u>
Net assets		<u>770,659</u>	<u>891,503</u>
Capital and reserves			
Called up share capital	14	6,000	6,000
Revaluation reserve	15	272,201	407,201
Profit and loss account		492,458	478,302
Equity shareholders' funds		<u>770,659</u>	<u>891,503</u>

These financial statements were approved by the board of directors on 30 November 1999 and signed on their behalf by:



HC Everett
Director

Statement of total recognised gains and losses
for the year ended 30 September 1999

	1999 £	1998 £
Profit for the year	14,156	98,791
Unrealised deficit on revaluation of property	(135,000)	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(120,844)	98,791
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses
for the year ended 30 September 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	26,156	160,439
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	3,976	3,976
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	30,132	164,415
	<hr/> <hr/>	<hr/> <hr/>
Historical cost profit/(loss) for the year retained after taxation and dividends	18,132	(57,233)
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 30 September 1999

	1999 £	1998 £
Profit for the financial year	14,156	98,791
Dividends	-	160,000
	<hr/>	<hr/>
	14,156	(61,209)
Other recognised gains and losses relating to the year		
Deficit on revaluation of property	(135,000)	-
	<hr/>	<hr/>
Net reduction in equity shareholders' funds	(120,844)	(61,209)
	<hr/>	<hr/>
Opening equity shareholders' funds	891,503	952,712
	<hr/>	<hr/>
Closing equity shareholders' funds	770,659	891,503
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable Accounting Standards.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Plant, equipment and vehicles	- 4 to 20 years

No depreciation is provided on freehold land

Stocks and work in progress

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied.

Pension scheme arrangements

Contributions are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' working lives with the company.

Leased assets

Assets acquired under finance lease and hire purchase contracts are capitalised and the future lease obligations are shown in creditors. Finance charges are allocated to the profit and loss account over the period of the lease.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Notes (continued)

2 Turnover

The turnover of the company is derived from the following geographical markets:

	1999 £	1998 £
United Kingdom	6,963,724	8,613,915
Rest of Europe	4,408	3,590
	<u>6,968,132</u>	<u>8,617,505</u>

3 Profit on ordinary activities before taxation

	1999 £	1998 £
--	-----------	-----------

Profit on ordinary activities before taxation is stated

after charging

Depreciation and amortisation of owned assets	56,226	56,993
Operating leases:		
Land and buildings	1,200	1,200
Plant and equipment	23,100	23,195
Auditors' remuneration	6,175	6,510
	<u>86,701</u>	<u>87,908</u>

after crediting

Profit on sale of tangible fixed assets	5,998	4,217
	<u>5,998</u>	<u>4,217</u>

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	1999 £	1998 £
Emoluments	83,030	91,249
Company contributions to money purchase pension schemes	-	4,240
	<u>83,030</u>	<u>95,489</u>
Number of directors who are members of defined benefit pension schemes	2	2
Number of directors who are members of money purchase pension schemes	-	2

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors), all of whom were involved in the principal activity, was:

	1999 £	1998 £
Sales and distribution	18	19
Administration	8	8
	<hr/> 26	<hr/> 27

Their total remuneration was:

Wages and salaries	413,871	410,122
Social security costs	36,766	35,354
Other pension costs	12,368	18,274
	<hr/> 463,005	<hr/> 463,750

6 Interest payable and similar charges

	1999 £	1998 £
On bank loans and overdrafts	-	34,948

7 Tax on profit on ordinary activities

	1999 £	1998 £
UK corporation tax at 30.5% (1998: 31%)	3,000	64,000
Deferred taxation	9,000	(2,000)
	<hr/> 12,000	<hr/> 62,000
Corporation tax adjustments in relation to prior years	-	(352)
	<hr/> 12,000	<hr/> 61,648

8 Dividends

	1999 £	1998 £
Interim dividend paid	-	160,000

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Plant, equipment and vehicles £	Total £
Cost or valuation			
At beginning of year	600,000	550,423	1,150,423
Additions	-	63,900	63,900
Disposals	-	(27,380)	(27,380)
Revaluation	(150,000)	-	(150,000)
At end of year	450,000	586,943	1,036,943
Depreciation			
At beginning of year	7,500	377,594	385,094
Charge for the year	7,500	48,726	56,226
Disposals	-	(27,378)	(27,378)
Revaluation	(15,000)	-	(15,000)
At end of year	-	398,942	398,942
Net book value			
At 30 September 1999	450,000	188,001	638,001
At 30 September 1998	592,500	172,829	765,329

Freehold land and buildings have been revalued at 30 September 1999 at £450,000 based on the directors estimate of their open market value for existing use purposes, having taken appropriate professional advice.

The gross amount of depreciable assets included in freehold land and buildings amounted to £250,000 (1998: £375,000).

The amount of revalued property as determined according to the historical cost accounting rule is:

	1999 £	1998 £
Cost	256,173	256,173
Depreciation	(50,922)	(47,398)
Net book value	205,251	208,775

There were no contracted capital commitments in either the current or preceding years.

10 Stocks

	1999 £	1998 £
Raw materials and consumables	761,979	1,045,819

Notes (continued)

11 Debtors

	1999	1998
	£	£
Trade debtors	1,805,677	1,701,792
Amounts owed by group undertakings	75,821	352,390
Prepayments	25,637	17,664
ACT recoverable	40,000	-
	<hr/>	<hr/>
	1,947,135	2,071,846
	<hr/>	<hr/>

12 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	-	37,781
Trade creditors	1,842,809	2,249,293
Amounts owed to group undertakings	1,211,349	428,000
Other creditors	6,065	13,384
Corporation tax	3,000	24,000
Advance corporation tax	-	40,000
Other tax and social security	126,760	124,250
Accruals	39,013	36,080
	<hr/>	<hr/>
	3,228,996	2,952,788
	<hr/>	<hr/>

Interest on bank borrowing is payable at normal joint stock bank rates.

13 Provision for liabilities and charges

	1999	1998
	£	£
Deferred tax	15,000	6,000
Pension scheme provision	-	33,277
	<hr/>	<hr/>
	15,000	39,277
	<hr/>	<hr/>

Notes (continued)

13 Provision for liabilities and charges (continued)

The deferred taxation provided and unprovided in the financial statements are set out below:

	Provided		Unprovided	
	1999 £	1998 £	1999 £	1998 £
Accelerated capital allowances	16,000	6,000	-	15,000
Short term timing differences	(1,000)	-	-	-
Property revaluation	-	-	30,000	80,000
	<hr/>	<hr/>	<hr/>	<hr/>
	15,000	6,000	30,000	95,000
	<hr/>	<hr/>	<hr/>	<hr/>

The movement in provisions in the year is as follows:

	Deferred tax £	Pension £	Total £
At beginning of year	6,000	33,277	39,277
Transfer from profit and loss account	9,000	-	9,000
Group transfer	-	(33,277)	(33,277)
	<hr/>	<hr/>	<hr/>
At end of year	15,000	-	15,000
	<hr/>	<hr/>	<hr/>

14 Share capital

	1999 £	1998 £
<i>Authorised:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
<i>Allotted called up and fully paid:</i>		
6,000 ordinary shares of £1 each	6,000	6,000
	<hr/>	<hr/>

15 Revaluation reserve

	1999 £	1998 £
At beginning of year	407,201	407,201
Revaluation during the year	(135,000)	-
	<hr/>	<hr/>
At end of year	272,201	407,201
	<hr/>	<hr/>

16 Contingent liabilities

The company is a party to cross-guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries.

The company has a bond, guarantee and indemnity to Customs & Excise for £6,000.

Notes (continued)

17 Financial commitments

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Leases expiring within:				
One year	-	-	5,775	1,978
Between two and five years	1,200	1,200	-	2,075
	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>2,075</u>

18 Pension scheme

The company contributes into two pension schemes, one a defined contribution scheme and the other a defined benefit scheme. The assets of both schemes are held in trust funds and therefore, held separately from the company's assets.

The pension cost charge in respect of the defined contribution scheme was £5,533 (1998: £11,098) which represented contributions payable by the company to the fund.

The defined benefit scheme is the Hill & Smith Group Pension and Assurance Scheme, contributions being based on pension costs across the group as a whole. The company's pension cost charge for the year was £6,835 (1998: £7,176). The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent actuarial valuation was at 5 April 1997. Details of this actuarial valuation are disclosed in the financial statements of Hill & Smith Holdings PLC.

19 Related party transactions

The company has taken advantage of the exemption available under FRS8 "Related Party Transactions" not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

20 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from the registered office:

Springvale Business and Industrial Park
 Bilston
 West Midlands
 WV14 OQL