

2278492

SAMAC STEEL SUPPLIES plc
Directors' Report and Financial Statements
31st December 1998

A member of the Stemcor Holdings Group

STEMCOR



SAMAC STEEL SUPPLIES plc

Report and Financial Statements – 31st December 1998

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Company Information

Directors	J. Verden (Managing Director) W.J. Barrow J.E. Ursell (appointed 17.6.98) D.A. James (appointed 17.6.98) P. G. Astles (appointed 17.6.98) D.J. Paul (appointed 17.6.98)
Secretary	B.A.Levine
Registered Office	Walker House 87 Queen Victoria Street London EC4V 4AL
Registered Number	2278492
Auditors	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR.
Principal Bankers	BNY International Limited Sovereign House Church Street Brighton BN1 1SS.

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 5.

Dividend

A dividend of £660,000 (1997: £ nil) was paid during the year.

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.

Purchase of own shares

On 17 June 1998 Samac Steel Supplies plc purchased one share with a nominal value of £1 for consideration of £218,857 in order to rationalise the shareholding structure of the company. This was the maximum number of shares held by the company during the year. The share was cancelled on 17 June 1998.

Creditors

The company aims to make payments under agreed terms. During the year, the average payment was made in approximately 7 days.

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

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

J. Verden
W.J. Barrow

The following directors were appointed during the year:

P. G. Astles
D.A. James
D.J. Paul
J.E. Ursell

The directors held no interest in the company's shares during the year. The interests of directors in the shares of the ultimate holding company are as follows:-

	Ordinary Shares		Options	
	1998	1997	1998	1997
P.G. Astles	1,750	1,750	10,000	10,000

D.J. Paul's interests in the shares of the Ultimate Holding Company are disclosed in the financial statements of that company. The interest of J. Verden in the 4% Guaranteed Unsecured Convertible Loan Notes 2003 of the Ultimate Holding Company is disclosed in the financial statements of that company.

D.A. James and J.E. Ursell each have an interest of 13.3% in the 4% Guaranteed Unsecured Convertible Loan Notes 2003 of the Ultimate Holding 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.

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. Irvine
Secretary

Walker House
87 Queen Victoria Street
London EC4V 4AL
30 April 1999

Auditors' report to the members of Samac Steel Supplies plc.

We have audited the financial statements set out on pages 5 to 13, which have been prepared under the accounting policies set on page 8.

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 profit 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 June 1999

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

	Notes	1998	1997
		£000's	£000's
Turnover	1	25,472	19,298
Cost of sales		(22,645)	(16,942)
Gross profit		2,827	2,356
Distribution costs		(993)	(670)
Administrative expenses		(917)	(1,698)
Other operating income		12	12
Operating profit	2	929	-
Interest payable and similar charges	5	(595)	(349)
Profit/(loss) on ordinary activities before taxation		334	(349)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(90)	122
Profit/(loss) on ordinary activities after taxation		244	(227)
Equity dividends paid	16	(660)	-
Retained loss for the financial year		(416)	(227)


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

		1998 £000	1998 £000	1997 £000	1997 £000
	Notes				
Fixed Assets					
Tangible assets	7		45		6
Current assets					
Stocks	8	922		3,263	
Debtors		8,261		6,759	
Less: non-returnable proceeds		(6,638)		-	
	9	1,623		6,759	
Cash at bank and in hand		39		96	
		<u>2,584</u>		<u>10,118</u>	
Creditors: amounts falling due within one year	10	(1,273)		(8,133)	
Net current assets			<u>1,311</u>		1,985
Total assets less current liabilities			<u><u>1,356</u></u>		<u><u>1,991</u></u>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account			1,256		1,891
Equity Shareholders' Funds			<u><u>1,356</u></u>		<u><u>1,991</u></u>

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



J. Verden Director

Reconciliation of movements in shareholders' funds for the year ended 31st December 1998

	1998	1997
	£000's	£000's
Profit/(Loss) for the financial year	244	(227)
Dividends paid	(660)	-
	<hr/> (416)	<hr/> (227)
Redemption of shares	(219)	-
Opening shareholders funds	1,991	2,218
Closing shareholders funds	<hr/> 1,356	<hr/> 1,991

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.

Depreciation

Depreciation is provided on the straight-line basis to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. All fixed assets are depreciated at 25% per annum.

Stocks

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

Taxation

The charge for taxation is based on the profit 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 to the extent that it is probable that an actual liability or asset will crystallise.

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 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 and the profit on ordinary activities before taxation is all attributable to the principal activity and to invoicing from the UK.

A geographical analysis of turnover by destination is given below:

	1998	1997
	£000's	£000's
United Kingdom	25,472	19,298

2 Operating profit

The operating profit is stated after charging:

	1998	1997
	£000's	£000's
Depreciation on tangible fixed assets	14	21
Profit on sale of fixed asset	-	11
Auditors' remuneration and expenses:		
Audit fees	13	16
Other services	7	21
Rentals under operating leases:		
Other	20	17
Plant and machinery	18	24

3 Employees

	1998	1997
	£000's	£000's
Wages and salaries	549	1,326
Social security costs	57	136
	606	1,462

Notes to the accounts (continued)**3 Employees (continued)**

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

	1998	1997
	Number	Number
Steel trading	4	4
Administration	7	8
	<u>11</u>	<u>12</u>

4 Directors' remuneration

Directors' remuneration for executive services amounted to £ 340,000 in the year (1997- £951,000). The emoluments of the highest paid director, excluding pension contributions, were £182,256 (1997 -£858,068).

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 payable

	1998	1997
	£000's	£000's
Interest on bank overdrafts	<u>595</u>	<u>349</u>

6 Tax on profit/(loss) on ordinary activities

	1998	1997
	£000's	£000's
UK corporation tax at 31% (1997 – 31%)	<u>(90)</u>	<u>122</u>

The tax charge is low as a result of the release of a general provision to the profit and loss account for which no deferred tax asset was previously recognised.

Notes to the accounts (continued)

7 Tangible Fixed Assets

	Fixtures, fittings, tools & equipment £000's	Motor Vehicles £000's	Total £000's
Cost: At 1 January 1998	59	-	59
Additions	-	53	53
At 31 December 1998	59	53	112
Accumulated depreciation: At 1 January 1998	53	-	53
Charge for the year	3	11	14
At 31 December 1998	56	11	67
At 31 December 1998	3	42	45
At 31 December 1997	6	-	6

8 Stocks

	1998 £000's	1997 £000's
Finished goods and goods for resale	922	3,263

9 Debtors

	1998 £000's	1997 £000's
Trade debtors covered by credit insurance, subject to discounting arrangement	7,970	-
Less: non-returnable proceeds	(6,638)	-
	1,332	-
Other trade debtors	9	6,434
Prepayments and accrued income	38	161
Corporation tax	126	122
Other debtors	118	42
	1,623	6,759

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.

Notes to the accounts (continued)10 Creditors: Amounts falling due within one year

	1998	1997
	£000's	£000's
Bank loans and overdrafts	175	4,878
Trade creditors	440	1,860
Amounts owed to parent and fellow subsidiary undertakings	127	-
Taxation and social security	123	114
Accruals and deferred income	408	1,281
	1,273	8,133

11 Called up share capital

	1998	1997
	£	£
Authorised:		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000
Repurchase of share capital	(1)	-
As at 31 December 1998	99,999	100,000

12 Ultimate parent company

The ultimate parent company and controlling entity of Samac Steel Supplies plc is Stemcor Holdings Limited which is incorporated in the United Kingdom 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

Notes to the accounts (continued)13 Financial commitments

At 31 December 1998 the company was committed to making the following payments during the year in respect of operating leases:

	<u>Land and buildings</u>		<u>Other</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
Leases which expire:				
Within one year	24,856	-	2,981	3,275
Within two to five years	-	27,116	6,816	10,068

14 Contingent liabilities

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

15 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.

16 Dividends paid

	<u>1998</u>	<u>1997</u>
	£000s	£000s
Equity dividends paid	<u>660</u>	<u>-</u>