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Industrial Steels (UK) Limited

Annual Report & Accounts
For the year ended 28th March 1998

Registered Number 2755939



Industrial Steels (UK) Limited

Annual Report for the financial year ended 28 March 1998

	Page
Directors and advisers	1
Directors' report	2
Report of the auditors	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Industrial Steels (UK) Limited

Directors and advisers

Directors

Mr R W Triffitt (Chairman)
Mr K Wilkinson
Mr S W Lindsay

Secretary

Mrs A L Scandrett

Registered Office

15 Marylebone Road
London
NW1 5JD

Auditors

PricewaterhouseCoopers

Industrial Steels (UK) Limited

Directors' report for the financial year ended 28 March 1998

The directors present herewith their report and audited financial statements for the period ended 28 March 1998.

Principal activities

The principal activity of the business is the performance of world-wide trade in steel.

Review of business and main activities

The profit and loss account for the period is set out on page 6.

The directors do not recommend the payment of a dividend (1997 £Nil). The retained profit of £649,182 (1997 : £556,766) will be transferred to reserves.

The level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors

The directors of the company at 28 March 1998, all of whom served throughout the year, are listed on page 1.

Directors' interests

The interests of the directors at 28 March 1998 in the ordinary shares of British Steel plc, the company's ultimate holding company, were as follows:

	Ordinary Shares		Options	
	28 March 1998 Number	29 March 1997 Number	28 March 1998 Number	29 March 1997 Number
Mr R W Triffitt	-	-	107,791	79,285
Mr K Wilkinson	-	2,238	103,981	75,681
Mr S W Lindsay	457	457	32,128	14,500
			Options	
			Granted during year Number	Exercised during year Number
Mr R W Triffitt			28,506	-
Mr K Wilkinson			28,300	-
Mr S W Lindsay			17,628	-

Industrial Steels (UK) Limited

Directors' report for the financial year ended 28 March 1998 (continued)

The directors had no interest, as defined by the Companies Act 1985, in the shares of any other members of the group during the period covered by these financial statements.

Payment to Creditors

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business transactions. The aim is to despatch cheques on the due date or, where other means of payment are adopted, to deliver funds to suppliers as if payment had been made by cheque.

Trade creditors days as at the period end are 60 days (1997 : 41 days.)

Auditors

The auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 28 March 1998. The directors also confirm that applicable accounting standards have been followed, and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper books and records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

European Monetary Union (EMU)

An internal EMU project was established within the British Steel Group at the end of 1996, designed to ensure that businesses within the Group are prepared for the introduction of the euro. A central steering group has been set up comprising senior personnel from each function affected by EMU, together with a project manager. Accordingly, the company has appointed a compliance manager who is responsible, under the guidance of the project manager, for EMU matters within that business.

Industrial Steels (UK) Limited

Directors' report for the financial year ended 28 March 1998 (continued)

Each business within the British Steel Group, regardless of the location, has plans to enable it to transact in euros with customers and suppliers when EMU commences.

The project addresses all areas of the company's activities affected by EMU, such as information systems, commercial strategy, treasury management, training and legal issues. Project costs largely relate to ensuring that information systems are euro-compliant. However, as the company's business systems are being replaced or upgraded for Year 2000 compliance at no additional cost, the company has been successful in keeping these costs to a minimum. In the short term, therefore, the Company does not expect the costs or benefits from the introduction of the Euro to have a material effect on its trading performance.

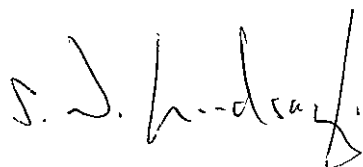
Year 2000

The company recognises the significance of the risks arising from the Year 2000 date change and is carrying out a comprehensive programme with a view to renovating or replacing essential systems and equipment. The programme, which is overseen by an executive director of the company, started in late 1996 and is currently targeted to be substantially complete by the end of 1998. A consistent methodology for managing the programme has been adopted across the Group; every business has a manager responsible for Year 2000 compliance and the board receives and considers regular reports on progress.

While every reasonable effort is in place to overcome the Year 2000 problem, the scale of complexity makes complete assurance that everything will be compliant difficult to achieve. The directors cannot be certain that Year 2000 issues will not have a significant impact on the company's operations or its financial condition, particularly if there are unforeseen compliance problems with the systems operated by the company's customers, suppliers, vendors or subcontractors.

The British Steel Group has estimated that it has spent around £10m in the year to 28 March 1998 and will spend approximately £60m in total over the duration of the Year 2000 Project. The costs of the Year 2000 project for the company amount to £ Nil as all costs are being borne by British Steel Plc. In accordance with accounting policies, all redemption and software costs are written off as incurred.

By order of the board



S W Lindsay
Director

21 JANUARY 1999

Industrial Steels (UK) Limited

Report of the auditors to the members of Industrial Steels (UK) Limited

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, 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 evaluate 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 the company's affairs at 28 March 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

**PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham**

22 January 1999

Industrial Steels (UK) Limited

Profit and loss account for the financial year ended 28 March 1998

	Notes	1998 £	1997 £
Turnover	2	31,820,831	38,606,886
Operating costs	3	<u>(31,062,232)</u>	<u>(38,126,425)</u>
Profit on ordinary activities before interest		758,599	480,461
Interest receivable	4	<u>185,610</u>	<u>353,570</u>
Profit on ordinary activities before taxation		944,209	834,031
Taxation	5	<u>(295,027)</u>	<u>(277,265)</u>
Profit for the financial year		<u><u>649,182</u></u>	<u><u>556,766</u></u>

The above results relate wholly to continuing operations.

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation or the retained profit for the period stated above, and their historical cost equivalents.

Reconciliation of movement in equity shareholders' funds for the period ended 28 March 1998

	1998 £	1997 £
Opening equity shareholders' funds	3,701,595	3,144,829
Profit for the period	<u>649,182</u>	<u>556,766</u>
Closing equity shareholders' funds	<u><u>4,350,777</u></u>	<u><u>3,701,595</u></u>

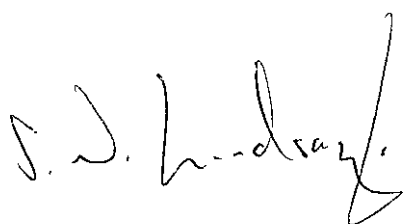
Industrial Steels (UK) Limited

Balance sheet

as at 28 March 1998

	Notes	1998 £	1997 £
Current Assets			
Stocks	7	102,844	1,227,853
Debtors	8	8,797,904	9,110,466
Cash at bank and in hand		<u>260</u>	<u>300</u>
		8,901,008	10,338,619
Creditors:			
amounts falling due within one year	9	<u>(4,550,231)</u>	<u>(6,637,024)</u>
Total assets less current liabilities		<u>4,350,777</u>	<u>3,701,595</u>
Capital and reserves			
Called up share capital	11	1,657,666	1,657,666
Profit and loss account	12	<u>2,693,111</u>	<u>2,043,929</u>
		<u>4,350,777</u>	<u>3,701,595</u>

The financial statements were approved by the Board on 21 January 1999 and signed on its behalf.



S W Lindsay
Director

The notes on pages 8 to 13 form part of these financial statements.

Industrial Steels (UK) Limited

Notes to the financial statements for the financial year ended 28 March 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Stocks

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

Turnover

Turnover, which excludes value added tax, represents the sales value of all goods despatched during the period. The point of recognition of sale is recognised as the date of shipment.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the year end, or where appropriate at forward contract rates. Exchange rate differences are taken to the profit and loss account.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The expected cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of employees. Further details are given in note 14.

Cashflow

The financial statements do not include a cash flow statement because the company, as a wholly owned subsidiary, is exempt from the requirements to prepare such a statement under Financial Reporting Standard Number 1 (Revised) "Cash Flow Statements".

Software Costs

Industrial Steels (UK) Limited

Software costs are expensed as incurred.

Notes to the financial statements for the financial year ended 28 March 1998 (continued)

2 Turnover

Geographical market analysis of turnover by destination is set out below:

	1998 £	1997 £
United Kingdom	1,323,944	399,366
European Union (excluding UK)	9,043,663	3,172,816
Europe (excluding EU)	434,012	-
North America	4,850,286	3,185,295
South America	864,635	792,653
Africa	2,284,388	6,095,362
Asia	13,019,903	24,961,374
	<u>31,820,831</u>	<u>38,606,866</u>

Included in the above:

Sales to group companies	<u>1,998,152</u>	<u>4,815,781</u>
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3 Operating costs

	1998 £	1997 £
Changes in stocks and works in progress	1,125,009	617,983
Raw materials and consumables	26,594,147	31,651,418
Other external charges	1,930,539	4,300,100
Employment costs	811,246	759,951
Other operating charges	601,291	796,973
	<u>31,062,232</u>	<u>38,126,425</u>

The above costs are stated after charging:

Operating leases - plant and equipment	-	-
Operating leases - land and buildings	28,500	28,500
Auditors' remuneration	18,000	16,000

Industrial Steels (UK) Limited

Notes to the financial statements for the financial year ended 28 March 1998 (continued)

4 Interest receivable

	1998	1997
	£	£
Interest receivable:		
Interest from group companies	174,627	302,107
Other interest receivable	<u>10,983</u>	<u>51,463</u>
	<u>185,610</u>	<u>353,570</u>

5 Taxation

	1998	1997
	£	£
United Kingdom corporation tax at 31% - current	296,000	276,442
- prior year	<u>(973)</u>	<u>823</u>
	<u>295,027</u>	<u>277,265</u>

6 Employees

	1998	1997
	£	£
The total costs of all employees in the company were:		
Wages and salaries	732,432	662,919
Social security costs	52,019	56,715
Other pension costs	<u>26,795</u>	<u>40,317</u>
	<u>811,246</u>	<u>759,951</u>

The average weekly number of employees of the company during the period were:

	1998	1997
	Number	Number
Management	7	5
Staff	<u>11</u>	<u>16</u>
	<u>18</u>	<u>21</u>

Industrial Steels (UK) Limited

Notes to the financial statements for the financial year ended 28 March 1998 (continued)

7 Stocks

	1998 £	1997 £
Finished goods and goods for resale	<u>102,844</u>	<u>1,227,853</u>

There is no material difference between the cost of stock as stated and its replacement cost.

8 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	5,991,515	4,903,235
Amounts owed by group companies	1,364,985	4,201,547
Amounts owed by non UK associates	1,440,319	-
Other debtors	<u>1,085</u>	<u>5,684</u>
	<u>8,797,904</u>	<u>9,110,466</u>

9 Creditors

	1998 £	1997 £
Amounts falling due within one year:		
Trade creditors	3,655,000	2,006,456
Amounts owed to group companies	321,395	4,075,493
Corporation Tax	296,976	278,643
Other creditors	<u>276,860</u>	<u>276,432</u>
	<u>4,550,231</u>	<u>6,637,024</u>

Industrial Steels (UK) Limited

Notes to the financial statements for the financial year ended 28 March 1998 (continued)

10 Deferred taxation

There is no actual or potential liability for deferred tax at 28 March 1998 (1997: Nil)

11 Share capital

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
The share capital of the company is shown below:				
Ordinary shares of £1 each	1,657,666	1,657,666	1,657,666	1,657,666

12 Reserves

	Profit and loss £
At 29 March 1997	2,043,929
Profit for the period	649,182
Transfer	-
At 28 March 1998	<u>2,693,111</u>

13 Emoluments of directors

No director received or waived any remuneration during the period (1997: Nil) in respect of his services.

The emoluments of the directors are borne by the ultimate parent company and are deemed to be wholly attributable to services to that company. No recharge is made to this company

Industrial Steels (UK) Limited

Notes to the financial statements for the financial year ended 28 March 1998 (continued)

14 Pension and similar obligations

Certain employees of the company participate in a group pension scheme operated by British Steel plc. This is a funded, defined benefit scheme providing benefits based on final pay and service at retirement. The scheme is operated under trust and its assets invested independently of the group.

This scheme was established on 1 October 1990 and members of the previous scheme transferred their benefits into the scheme. The fund is valued every three years by a professionally qualified independent actuary. The latest assessment of the scheme was at 30 March 1996. Details of this assessment are disclosed in the accounts of British Steel plc, the ultimate holding company. The pension costs of Industrial Steels (UK) Limited for the period ended 28 March 1998 were £26,795 (1997 : £40,317).

15 Financial commitments

At 28 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring:				
Between two and five years	28,500	-	28,500	-
inclusive	<u>28,500</u>	<u>-</u>	<u>28,500</u>	<u>-</u>

16 Ultimate holding company

The directors regard British Steel plc, a company registered and incorporated in Great Britain as the immediate and ultimate holding company and controlling party. The registered office of British Steel plc is at 15 Maryebone Road, London NW1 5JD. Copies of the financial statements of this company and the group may be obtained from this address.