

INDUSTRIAL STEELS (UK) LIMITED
ANNUAL REPORT
FOR THE FINANCIAL PERIOD ENDED 29 MARCH 1997



Registered No 2755939

Industrial Steels (UK) Limited
Annual Report
for the period ended 29 March 1997

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Industrial Steels (UK) Limited

Directors

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

Secretary

Mrs A L Scandrett

Registered Office

9 Albert Embankment
London
SE1 7SN

Industrial Steels (UK) Limited

Directors' report

for the period ended 29 March 1997

The directors present herewith their report and audited financial statements for the period ended 29 March 1997.

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 7.

The directors do not recommend the payment of a dividend (1996 £Nil). The retained profit of £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 29 March 1997, are listed on page 2.

Industrial Steels (UK) Limited

Directors' report

for the period ended 29 March 1997 (continued)

Directors' interests

The interests of the directors at 29 March 1997 in the ordinary shares of British Steel plc, the company's ultimate holding company, were:

	Ordinary Shares		Options	
	29 March 1997 Number	30 March 1996 Number	29 March 1997 Number	30 March 1996 Number
Mr R W Triffitt	-	-	79,285	60,785
Mr K Wilkinson	-	2,238	75,681	54,481
Mr S W Lindsay	457	457	14,500	14,500
			Options	
			Granted during year Number	Exercised during year Number
Mr R W Triffitt			18,500	-
Mr K Wilkinson			21,200	-
Mr S W Lindsay			-	-

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.

The creditors days as at the period end are 41 days (1996: 60 days).

Auditors

A resolution to re-appoint Coopers & Lybrand as the company's auditors will be proposed at the annual general meeting.

Industrial Steels (UK) Limited
Directors' report
for the period ended 29 March 1997 (continued)

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 29 March 1997. 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.

By order of the board



Secretary

Industrial Steels (UK) Limited

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

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of directors and auditors

As described on page 5 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.

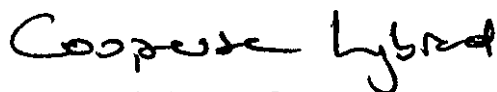
Basis of opinion

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 financial affairs at 29 March 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

28 January 1998

Industrial Steels (UK) Limited
Profit and loss account
for the period ended 29 March 1997

	Notes	1997 £	1996 £
Turnover	2	38,606,886	53,696,026
Operating costs	3	(38,126,425)	(52,620,986)
		<hr/>	<hr/>
Profit on ordinary activities before interest		480,461	1,075,040
Net interest receivable	4	353,570	152,123
		<hr/>	<hr/>
Profit on ordinary activities before taxation		834,031	1,227,163
Taxation	5	(277,265)	(410,000)
		<hr/>	<hr/>
Profit for the financial year		556,766	817,163
		<hr/> <hr/>	<hr/> <hr/>

The above results relate solely 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 shareholders' funds
for the period ended 29 March 1997

	1997 £	1996 £
Opening shareholders' funds	3,144,829	2
Issue of share capital	-	1,657,664
Profit for the period	556,766	817,163
Capital reserve arising on acquisition of business	-	670,000
		<hr/>
Closing shareholders' funds	3,701,595	3,144,829
		<hr/> <hr/>

Industrial Steels (UK) Limited

Balance sheet

as at 29 March 1997

	Notes	1997 £	1996 £
Current Assets			
Stocks	7	1,227,853	1,845,836
Debtors	8	9,110,466	20,367,926
Cash at bank and in hand		300	300
		<u>10,338,619</u>	<u>22,214,062</u>
Creditors:			
amounts falling due within one year	9	(6,637,024)	(19,069,233)
Total assets less current liabilities		<u>3,701,595</u>	<u>3,144,829</u>
 Capital and reserves			
Called up share capital	11	1,657,666	1,657,666
Profit and loss account	12	2,043,929	1,487,163
		<u>3,701,595</u>	<u>3,144,829</u>

The financial statements were approved by the Board on January 1998.


S W Lindsay
Director

The notes on pages 9 to 14 form part of these financial statements.

Industrial Steels (UK) Limited

Notes to the financial statements

for the period ended 29 March 1997

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".

Industrial Steels (UK) Limited
Notes to the financial statements
for the period ended 29 March 1997 (continued)

2 Turnover

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

	1997	1996
	£	£
United Kingdom	399,366	15,865,090
European Union (excluding UK)	3,172,816	1,150,444
Europe (excluding EU)	-	3,314,817
North America	3,185,295	94,663
South America	792,653	2,469,962
Africa	6,095,362	10,503,585
Asia	24,961,374	20,297,465
	<u>38,606,866</u>	<u>53,696,026</u>

Included in the above:

Sales to group companies	<u>4,815,781</u>	<u>17,614,526</u>
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3 Operating costs

	1997	1996
	£	£
Changes in stocks and works in progress	617,983	(1,845,836)
Raw materials and consumables	31,651,418	48,677,428
Other external charges	4,300,100	4,403,214
Employment costs	759,951	462,911
Other operating charges	796,973	923,269
	<u>38,126,425</u>	<u>52,620,986</u>

The above costs are stated after charging:

Operating leases - plant and equipment	-	4,250
Operating leases - land and buildings	28,500	28,500
Auditors' remuneration	16,000	18,000

Industrial Steels (UK) Limited
Notes to the financial statements
for the period ended 29 March 1997 (continued)

4 Net interest receivable

	1997	1996
	£	£
Interest receivable:		
Interest from group companies	302,107	146,510
Other interest receivable	51,463	6,793
	<u>353,570</u>	<u>153,303</u>
Less: interest payable		
Other interest payable	-	(1,180)
Net interest receivable	<u>353,570</u>	<u>152,123</u>

5 Taxation

	1997	1996
	£	£
United Kingdom corporation tax at 33% - current	276,442	410,000
- prior year	823	-
	<u>277,265</u>	<u>410,000</u>

6 Employees

	1997	1996
	£	£
The total costs of all employees in the company were:		
Wages and salaries	662,919	421,579
Social security costs	56,715	23,043
Other pension costs	40,317	18,289
	<u>759,951</u>	<u>462,911</u>

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

	1997	1996
	Number	Number
Management	5	4
Staff	<u>16</u>	<u>13</u>
	<u>21</u>	<u>17</u>

Industrial Steels (UK) Limited
Notes to the financial statements
for the period ended 29 March 1997 (continued)

7 Stocks

	1997	1996
	£	£
Finished goods and goods for resale	1,227,853	1,845,836
	<u> </u>	<u> </u>

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

8 Debtors

	1997	1996
	£	£
Amounts falling due within one year:		
Trade debtors	4,903,235	10,649,890
Amounts owed by group companies	4,201,547	9,705,884
Other debtors	5,684	12,152
	<u> </u>	<u> </u>
	<u>9,110,466</u>	<u>20,367,926</u>

9 Creditors

	1997	1996
	£	£
Amounts falling due within one year:		
Trade creditors	2,006,456	2,878,068
Amounts owed to group companies	4,075,493	14,818,333
Corporation Tax	278,643	740,000
Other creditors	276,432	632,832
	<u> </u>	<u> </u>
	<u>6,637,024</u>	<u>19,069,233</u>

Industrial Steels (UK) Limited

Notes to the financial statements

for the period ended 29 March 1997 (continued)

10 Deferred taxation

There is no actual or potential liability for deferred tax at 29 March 1997 (1996:£nil)

11 Share capital

	Authorised		Allotted, called up and fully paid	
	1997	1996	1997	1996
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 30 March 1996	1,487,163
Profit for the period	556,766
At 29 March 1997	<u>2,043,929</u>

13 Emoluments of directors

No director received or waived any remuneration during the period (1996: £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, to this company, is made.

Industrial Steels (UK) Limited

Notes to the financial statements

for the period ended 30 March 1996 (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. The pension costs of Industrial Steels (UK) Limited for the period ended 29 March 1997 were £40,317 (1996 : £18,289).

15 Financial commitments

At 29 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring:				
Within one year	-	-	-	-
Between two and five years inclusive	28,500	-	28,500	-
In over five years	-	-	-	-
	<u>28,500</u>	<u>-</u>	<u>28,500</u>	<u>-</u>
	<u><u>28,500</u></u>	<u><u>-</u></u>	<u><u>28,500</u></u>	<u><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 9 Albert Embankment, London SE1 7SN. Copies of the financial statements of this company and the group may be obtained from this address.