

Registered Number 345279

London & Scandinavian Metallurgical Co
Limited
Annual Report
for the year ended 31 December 2000



London & Scandinavian Metallurgical Co Limited

Annual Report

for the year ended 31 December 2000

Contents

Directors and advisors.....	1
Directors' report.....	2
Statement of directors' responsibilities.....	4
Auditors' report.....	5
Consolidated profit and loss account.....	6
Balance sheet.....	8
Cash flow statement.....	9
Accounting policies.....	10
Notes to the financial statements.....	12

London & Scandinavian Metallurgical Co Limited

Directors and advisors for the year ended 31 December 2000

Directors

A D Ewart (Chairman)
E E Jackson
Dr J Pearson (Managing Director)
J M Bradbury
S W Kober
A R E MacDonell
Dr L Ranson
S R Thistlethwaite (appointed 1 January 2000)

Secretary

A R E MacDonell

Registered Office

Fullerton Road
Rotherham
S60 1DL

Auditors

PricewaterhouseCoopers
1 East Parade
Sheffield
S1 2ET

Solicitors

DLA
The Fountain Precinct
1 Balm Green
Sheffield
S1 1RZ

Bankers

Barclays Bank plc
Wimbledon Business Centre
PO Box 850
8 Alexandra Road
London
SW19 7LA

HSBC Bank plc
Rotherham Branch
35 College Street
Rotherham
S65 1AF

London & Scandinavian Metallurgical Co Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

Principal activities

The group continued to manufacture and merchant principally metallurgical products throughout the year.

Review of business and future developments

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

On 31 March 2000, a new wholly-owned Norwegian company, Hydelko AS, was formed to acquire the aluminium alloy business of Hydelko KS, a Norwegian company owned by Norsk Hydro ASA and Elkem ASA. This business was purchased for the equivalent of £5.9m.

On 29 September 2000, the company purchased 100% of the share capital of Castle Crushing Limited for £750,000 and the trade of the ferro titanium business of Wogen Titanium Limited for £450,000.

Capital expenditure was £5,708,000 (1999: £3,398,000) and will remain at a high level in 2001.

Results and dividends

The profit and loss account for the year is set out on page 6. The directors recommend payment of a final dividend of £2,000,000 (1999: £500,000).

Directors and their interests

The directors who held office during the year are noted on page 1.

None of the directors had an interest in the shares of the company at any time during the year.

Research and development

The group continues to carry out research on new products and on enhancing the production technology of existing products.

Employees

The group thanks employees at all levels for their continued loyalty and support.

All employees are regularly informed about the business in which they are involved and they and their representatives are consulted on issues directly concerning their interests. The procedures by which these objectives are achieved include formal meetings with representatives and written reports issued within the group.

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.

London & Scandinavian Metallurgical Co Limited

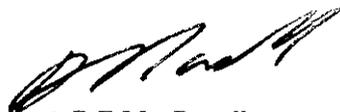
Charitable donations

The charitable contributions made by the group during the year amounted to £28,576 (1999: £25,613). There were no political contributions (1999: £nil).

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office as auditors to the company.

By order of the Board



A R E MacDonell
Secretary

25th June 2001

London & Scandinavian Metallurgical Co Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000, 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 accounting records that 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 are also responsible 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



A R E MacDonell

Secretary

25th June 2001

London & Scandinavian Metallurgical Co Limited

Auditors' report to the members of London & Scandinavian Metallurgical Co Limited

We have audited the financial statements on pages 6 to 32.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

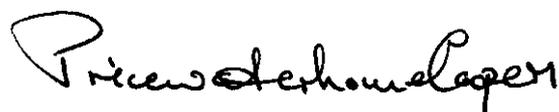
Basis of audit opinion

We conducted our audit in accordance with 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 the affairs of the company and the group at 31 December 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Sheffield

26 June 2001

London & Scandinavian Metallurgical Co Limited

Consolidated profit and loss account for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover – continuing operations	1	118,766	95,245
Cost of sales		(106,159)	(85,713)
Gross profit		12,607	9,532
Operating expenses	4	(8,431)	(7,362)
Operating profit before exceptional items		4,176	2,170
Exceptional items		-	(1,458)
Operating profit – continuing operations		4,176	712
Income from associated undertakings		216	-
Profit on ordinary activities before interest		4,392	712
Interest receivable and similar income	5	98	72
Interest payable and similar charges	6	(875)	(66)
Profit on ordinary activities before taxation	7	3,615	718
Tax on profit on ordinary activities	8	(1,267)	(361)
Profit on ordinary activities after taxation		2,348	357
Minority interests		(9)	-
Profit for the financial year		2,339	357
Dividends	9	(2,000)	(500)
Retained profit/(loss) for the financial year	20	339	(143)

All items dealt with in arriving at operating profit above relate to continuing operations.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

London & Scandinavian Metallurgical Co Limited

Note of historical cost profits and losses

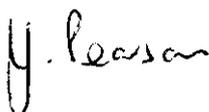
	2000	1999
	£'000	£'000
Reported profit on ordinary activities before taxation	3,615	718
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	180	180
Historical cost profit on ordinary activities before taxation	3,795	898
Historical cost profit for the year after taxation and minority interests	2,519	537

London & Scandinavian Metallurgical Co Limited

Balance sheet as at 31 December 2000

	Note	Group		Company	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fixed assets					
Intangible assets	11	2,242	-	1,452	-
Tangible assets	12	25,322	19,297	20,562	17,030
Investments	13	449	864	4,178	1,913
Current assets		28,013	20,161	26,192	18,943
Stocks	14	13,199	9,725	10,873	8,710
Debtors	15	21,943	13,322	19,846	13,156
Cash at bank and in hand		1,850	7,682	1,450	7,507
		36,992	30,729	32,169	29,373
Creditors: amounts falling due within one year	16	(22,821)	(13,990)	(20,312)	(13,792)
Net current assets		14,171	16,739	11,857	15,581
Total assets less current liabilities		42,184	36,900	38,049	34,524
Creditors : amounts falling due after more than one year	17	(6,979)	(1,674)	(6,179)	(1,504)
Provisions for liabilities and charges	18	(1,516)	(2,074)	(1,239)	(1,924)
Net assets		33,689	33,152	30,631	31,096
Capital and reserves					
Called up share capital	19	16,000	16,000	16,000	16,000
Revaluation reserve	20	5,872	6,052	5,872	6,052
Profit and loss account	20	11,609	11,100	8,759	9,044
Equity shareholders' funds	21	33,481	33,152	30,631	31,096
Minority interests		208	-	-	-
Total shareholders' funds		33,689	33,152	30,631	31,096

The financial statements on pages 6 to 32 were approved by the board of directors on 25 June 2001 and were signed on its behalf by:



J Pearson
Director

London & Scandinavian Metallurgical Co Limited

Cash flow statement for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	27	(3,850)	10,318
Returns on investment and servicing of finance			
Interest received		34	72
Interest paid		(661)	(67)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(627)	5
Taxation			
Corporation tax paid (including advance corporation tax)		(354)	(1,190)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,708)	(3,398)
Receipt from sales of tangible fixed assets		-	-
Receipt of grant		-	-
Net cash outflow from capital investment and financial investment		(5,708)	(3,398)
Acquisitions			
Purchase of subsidiary undertakings		(7,071)	-
Cash at bank acquired with subsidiaries		52	-
Net cash outflow from acquisitions		(7,019)	-
Equity dividends paid		-	(500)
		(17,558)	5,235
Financing			
Receipt of loans		5,497	1,250
Net cash inflow/(outflow) from financing		5,497	1,250
(Decrease)/increase in cash	28	(12,061)	6,485

London & Scandinavian Metallurgical Co Limited

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets.

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

Investments

Investments held as fixed assets are stated at cost unless there is a permanent diminution in value, in which case they are stated at the reduced value.

Associated undertakings and joint ventures

Associated undertakings and joint ventures have been accounted for using the equity accounting method.

Goodwill and knowhow

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is amortised over a period of 20 years, its useful economic life. Know-how is being amortised over a period of three years, its useful economic life.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

The cost or subsequent revaluation of buildings, and the cost of plant and machinery net of any capital based government grants prior to 1 January 1989, is depreciated on a straight line basis over the estimated useful lives of the assets. The annual rates generally used are:

Freehold land	nil
Freehold buildings	4%
Plant and machinery	10%
Laboratory equipment	20%
Motor vehicles	25%
Computer equipment	33%

Foreign currencies

Transactions denominated in foreign currencies are initially translated to sterling at the rates ruling at the dates of the transactions. Profits and losses on settlements during the year are reflected in the profit and loss account.

At the year end, current assets and liabilities in foreign currencies are translated to sterling at the hedged or spot rate, whichever is appropriate, and the resultant exchange differences are reflected through the profit and loss account.

London & Scandinavian Metallurgical Co Limited

Premiums paid to acquire currency options are charged to the profit and loss account when paid. Profits on currency options are credited to the profit and loss account when that option is exercised.

Leases

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership are capitalised. The amounts capitalised are the present value of the minimum lease payments. The liability to the leasing company is included as an obligation under finance leases within creditors. Depreciation on leased assets is charged to the profit and loss account on the same basis as purchased assets.

Finance lease and hire purchase payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the annuity method.

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

Research and development

Research and development expenditure (excluding expenditure on fixed assets) is written off in the profit and loss account in the period in which it is incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the following methods for the different categories of stock.

Raw materials and consumables	average cost
Finished stock and work in progress	the average cost of production comprising raw materials, valued by the method referred to above, direct labour and an appropriate proportion of factory overheads
Merchandising stock	invoiced cost

Stocks held under consignment arrangements are reviewed regularly in order to assess whether the substance of the arrangements are such that those stocks constitute assets which should be reflected in the Group balance sheet. Further details of consignment stocks held at the year end are given in note 14.

Government grants

Capital grants received are included under accruals and deferred income and amortised over the life of the related assets.

Revenue grants are recorded in the profit and loss account when received.

Pensions

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' expected average service lives. Contributions to the defined contribution schemes are charged to the profit and loss account as payable.

Deferred taxation

Provision is made for deferred taxation, calculated using the liability method, in respect of all timing differences arising from the different treatment of certain items for taxation and accounting purposes, to the extent that, in the opinion of the directors, it is probable that a liability will crystallise in the foreseeable future.

London & Scandinavian Metallurgical Co Limited

Notes to the financial statements for the year ended 31 December 2000

1 Turnover

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

All of the group's turnover and profit before taxation is derived from the manufacture and merchandising of metals and related products. All net assets relate to this class of business.

The geographical analysis of turnover is:

	2000 £'000	1999 £'000
United Kingdom	29,157	26,267
Rest of Europe	30,915	32,400
Rest of the World	58,694	36,578
	118,766	95,245

All of the group's turnover and profit before tax originates from net assets in the United Kingdom.

2 Employee information

Average number of persons employed by activity	2000 Number	1999 Number
Production	353	301
Sales and administration	86	116
	439	417

Staff costs (including directors)	2000 £'000	1999 £'000
Wages and salaries	10,781	10,070
Social security costs	1,253	1,008
Pensions costs (note 23)	521	726
	12,555	11,804

London & Scandinavian Metallurgical Co Limited

3 Directors' emoluments

	2000	1999
	£'000	£'000
Aggregate emoluments	638	525
Pensions paid to former directors and spouses	3	3

Retirement benefits are accruing to six (1999: six) directors under a defined benefit scheme. There are no directors accruing benefits under a money purchase scheme.

Highest paid director	2000	1999
	£'000	£'000
Aggregate emoluments	179	132
Defined benefit pension scheme		
- Accrued pension at end of year	69	52

4 Operating expenses

	2000	1999
	£'000	£'000
Distribution costs	1,676	1,427
Administrative expenses	6,755	5,935
	8,431	7,362

5 Interest receivable and similar income

	2000	1999
	£'000	£'000
Other interest receivable	98	72

London & Scandinavian Metallurgical Co Limited

6 Interest payable and similar charges

	2000	1999
	£'000	£'000
Interest payable to fellow group undertakings	9	15
Bank loans and overdrafts	866	51
	875	66

7 Profit on ordinary activities before taxation

	2000	1999
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned assets	2,326	2,004
Goodwill amortisation	73	19
Know-how amortisation	21	-
Rentals under operating leases		
- hire of plant and machinery	28	23
- other operating leases	315	293
(Profit)/loss on disposal of fixed assets	(2)	96
Amortisation of government grants	(116)	(156)
Research and development expenditure	490	742
Group audit fees and expenses of which the parent company was £40,000 (1999: £34,000)	59	42
Foreign exchange loss/(gain)	29	(295)

Fees paid to PricewaterhouseCoopers for non-audit services were £76,670 (1999: £43,960)

London & Scandinavian Metallurgical Co Limited

8 Tax on profit on ordinary activities

	2000	1999
	£'000	£'000
UK corporation tax at 30% (1999: 30.25%):		
Corporation tax	946	87
Deferred tax	280	260
	1,226	347
Adjustments to prior years' tax provisions:		
Corporation tax	48	(35)
Deferred tax	(50)	49
Group's share of foreign associate's tax	43	-
	1,267	361

The charge for taxation on the profit for the year has been increased by £183,000 (1999: £108,000) mainly due to expenditure not allowable for taxation purposes.

9 Dividends

A dividend of £2 million (1999: £0.5 million) to be paid to the parent company has been proposed on the equity shares.

10 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The profit after taxation for the financial year is made up as follows:

	2000	1999
	£'000	£'000
Dealt with in the accounts of the parent company	1,535	(390)
Retained by subsidiary undertakings	813	747
	2,348	357

London & Scandinavian Metallurgical Co Limited

11 Intangible assets

Group	Goodwill		Know-how	Total
	Associates	Group undertakings	Group undertakings	
	£'000	£'000	£'000	
Cost				
At 1 January 2000	-	-	-	-
Acquisitions	-	1,720	250	1,970
Goodwill reclassified from fixed asset investments	385	-	-	385
At 31 December 2000	385	1,720	250	2,355
Amortisation				
At 1 January 2000	-	-	-	-
Charge for the year	19	54	21	94
Goodwill reclassified from fixed asset investments	19	-	-	19
At 31 December 2000	38	54	21	113
Net book value				
At 31 December 2000	347	1,666	229	2,242
At 31 December 1999	-	-	-	-

London & Scandinavian Metallurgical Co Limited

Company	Goodwill		Know-how	Total
	Associates	Group undertakings	Group undertakings	
	£'000	£'000	£'000	
Cost				
At 1 January 2000	-	-	-	-
Acquisitions	-	907	250	1,157
Goodwill reclassified from fixed asset investments	385	-	-	385
At 31 December 2000	385	907	250	1,542
Amortisation				
At 1 January 2000	-	-	-	-
Charge for the year	19	31	21	71
Goodwill reclassified from fixed asset investments	19	-	-	19
At 31 December 2000	38	31	21	90
Net book value				
At 31 December 2000	347	876	229	1,452
At 31 December 1999	-	-	-	-

London & Scandinavian Metallurgical Co Limited

12 Tangible assets

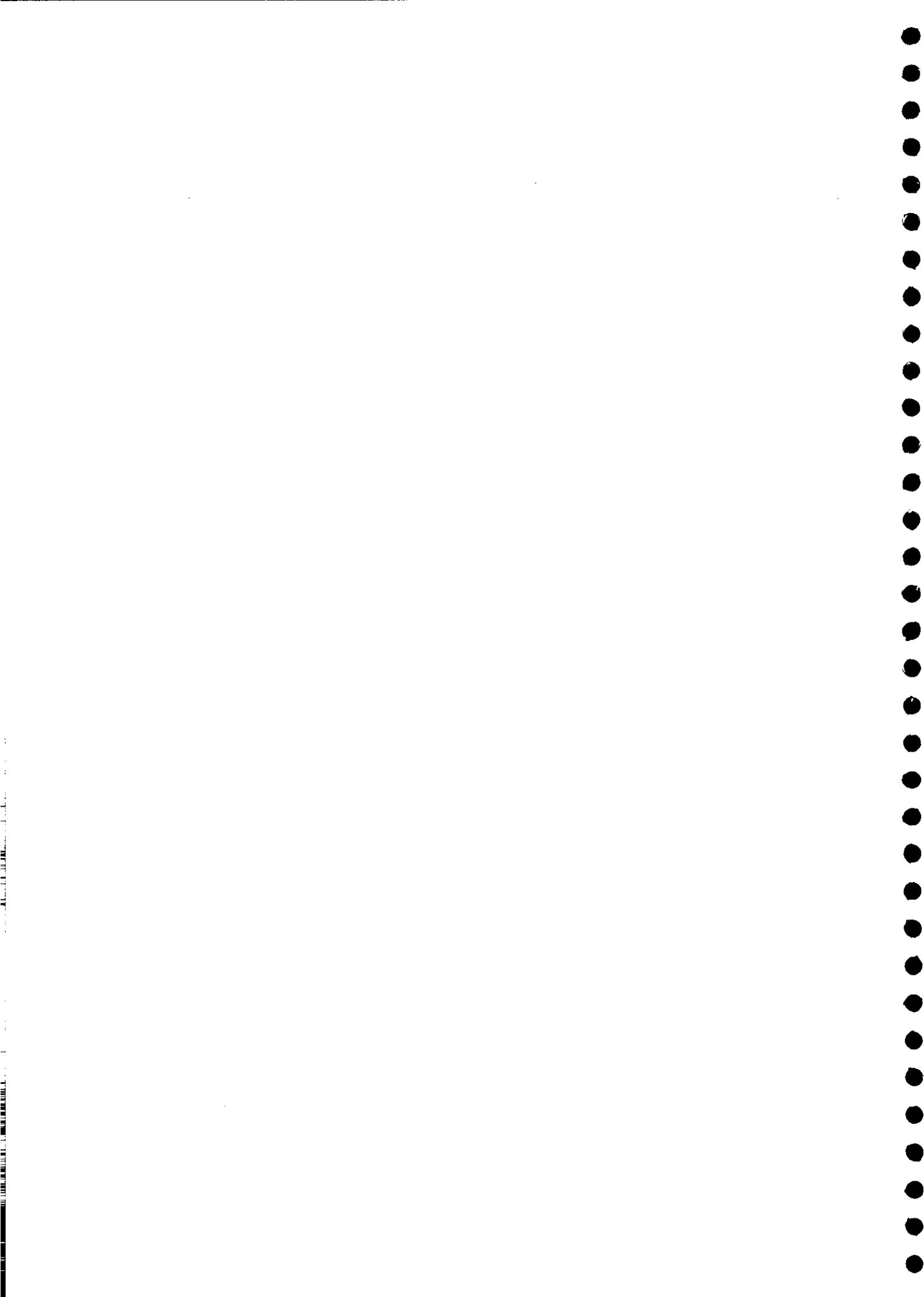
Group	Freehold, land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
Cost or valuation			
At 1 January 2000	12,647	25,357	38,004
Additions	401	5,307	5,708
Additions from acquisitions	-	2,372	2,372
Tangible assets of subsidiary now consolidated	259	45	304
Exchange rate adjustments	-	8	8
Disposals	-	(344)	(344)
At 31 December 2000	13,307	32,745	46,052
Depreciation			
At 1 January 2000	3,323	15,384	18,707
Charge for the year	405	1,922	2,326
Accumulated depreciation of tangible fixed assets of subsidiary now consolidated	8	5	13
Disposals	-	(316)	(316)
At 31 December 2000	3,736	16,995	20,730
Net book amount			
At 31 December 2000	9,571	15,750	25,322
At 31 December 1999	9,324	9,973	19,297
Cost or valuation at 31 December 2000 is represented by:			
Valuation in 1991	9,264	-	9,264
Cost	4,043	32,745	36,788
	13,307	32,745	46,052

London & Scandinavian Metallurgical Co Limited

Company	Freehold, land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
Cost or valuation			
At 1 January 2000	11,535	21,908	33,443
Additions	401	4,755	5,156
Disposals	-	(344)	(344)
At 31 December 2000	11,936	26,319	38,255
Depreciation			
At 1 January 2000	2,500	13,913	16,413
Charge for the year	340	1,256	1,596
Disposals	-	(316)	(316)
At 31 December 2000	2,840	14,853	17,693
Net book amount			
At 31 December 2000	9,096	11,466	20,562
At 31 December 1999	9,035	7,995	17,030
Cost or valuation at 31 December 2000 is represented by:			
Valuation in 1991	9,264	-	9,264
Cost	2,672	26,319	28,991
	11,936	26,319	38,255

At 31 December 1991, the works and premises at Rotherham were valued on the basis of depreciated replacement cost because their specialist nature makes the use of open market value inappropriate.

The company has taken advantage under the transitional arrangements of FRS 15 to retain the book value of all the assets revalued at 31 December 1999.



London & Scandinavian Metallurgical Co Limited

If land and buildings had not been revalued, they would have been included at the following amounts:

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Cost	7,275	6,874	6,163	5,760
Aggregate depreciation based on cost	3,822	3,601	2,937	2,777

13 Fixed asset investments

Group	Joint ventures	Associates	Total
	£'000	£'000	£'000
Cost			
At 1 January 2000	222	661	883
Share of retained profit	-	173	173
Joint venture reclassified as a subsidiary	(222)	-	(222)
Goodwill reclassified as intangible asset	-	(385)	(385)
At 31 December 2000	-	449	449
Amounts written off			
At 1 January 2000	-	19	19
Goodwill reclassified as intangible asset	-	(19)	(19)
At 31 December 2000	-	-	-
Net book value			
At 31 December 2000	-	449	449
At 31 December 1999	222	642	864

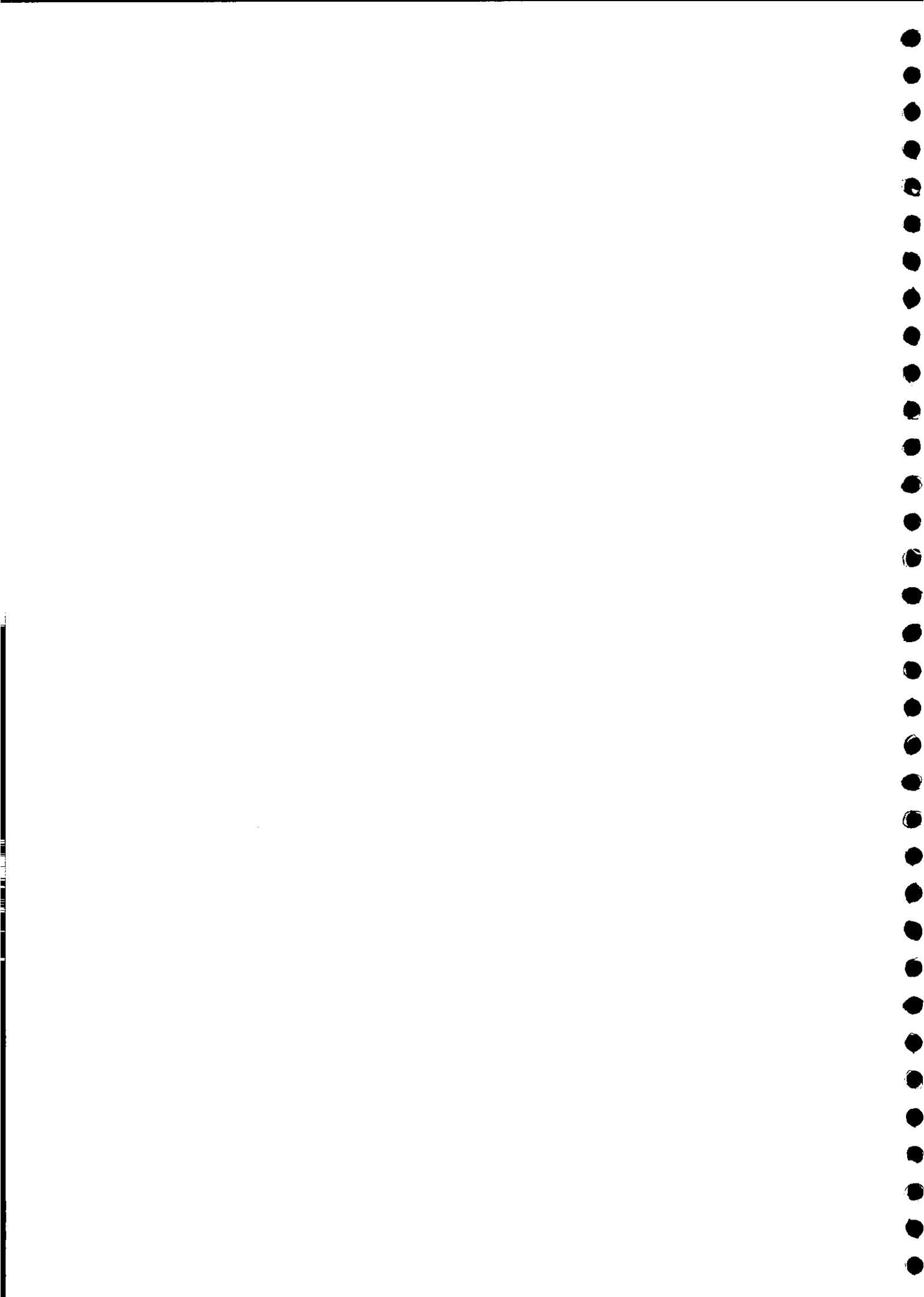
London & Scandinavian Metallurgical Co Limited

Company	Associate	Group undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2000	661	1,271	1,932
Acquisitions	-	2,631	2,631
Goodwill reclassified as intangible asset	(385)	-	(385)
At 31 December 2000	276	3,902	4,178
Amounts written off			
At 1 January 2000	19	-	19
Goodwill reclassified as intangible asset	(19)	-	(19)
At 31 December 2000	-	-	-
Net book value			
At 31 December 2000	276	3,902	4,178
At 31 December 1999	642	1,271	1,913

In the year ended 31 December 2000, the results of the joint venture have been consolidated as, in the opinion of the directors, Benda Lutz Alpoco is now considered to be a subsidiary.

Principal subsidiaries, joint ventures and associates

Name	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
Subsidiary undertakings				
The Aluminium Powder Company Limited	England and Wales	Ordinary £1 shares	100	100
Hydelko AS	Norway	Ordinary NOK 1000 shares	100	100
Benda-Lutz-Alpoco Sp.zo.o	Poland	Ordinary Pln 25,000 shares	51	-
M&A Powders Limited*	England and Wales	Ordinary £1 shares	100	100
Metalloys Limited*	England and Wales	Ordinary £1 shares	100	100
Alpoco Developments Limited*	England and Wales	Ordinary £1 shares	100	-
Metal Alloys (South Wales) Limited*	England and Wales	Ordinary £1 shares	100	100
S A Vickers Limited*	England and Wales	Ordinary £1 shares	100	100
HMI Limited*	England and Wales	Ordinary £1 shares	100	100
Castle Crushing Limited*	England and Wales	Ordinary £1 shares	100	100



London & Scandinavian Metallurgical Co Limited

Associate

Bostlan SA	Spain	Ordinary Pts 4,250 shares	25	25
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* indicates non trading

The Aluminium Powder Company Limited is involved in manufacturing and trading aluminium powder, together with the provision of expertise in this field.

Hydelko AS is involved in manufacturing and trading aluminium grain refining products.

Benda-Lutz-Alpoco is involved in manufacturing aluminium powder.

Bostlan SA is involved in manufacturing and trading aluminium tablets.

Acquisitions

On 31 March 2000, a new wholly-owned Norwegian company, Hydelko AS, was formed to acquire the aluminium alloy business of Hydelko KS, a Norwegian company owned by Norsk Hydro ASA and Elkem ASA. This business was purchased for the equivalent of £5.9m.

On 29 September 2000, the company purchased 100% of the share capital of Castle Crushing Limited for £750,000 and the trade of the ferro titanium business of Wogen Titanium Limited for £450,000, including £250,000 of purchased know-how.

	Hydelko AS	Castle Crushing	Wogen Titanium	Total
	£'000	£'000	£'000	£'000
Fixed assets	2,316	56	-	2,372
Stocks	1,986	10	-	1,996
Debtors	1,837	91	-	1,928
Cash	-	52	-	52
Creditors	(1,096)	(151)	-	(1,247)
Book value and fair value	5,043	58	0	5,101
Purchase consideration	5,871	750	450	7,071
Goodwill and know how	828	692	450	1,970

London & Scandinavian Metallurgical Co Limited

14 Stocks

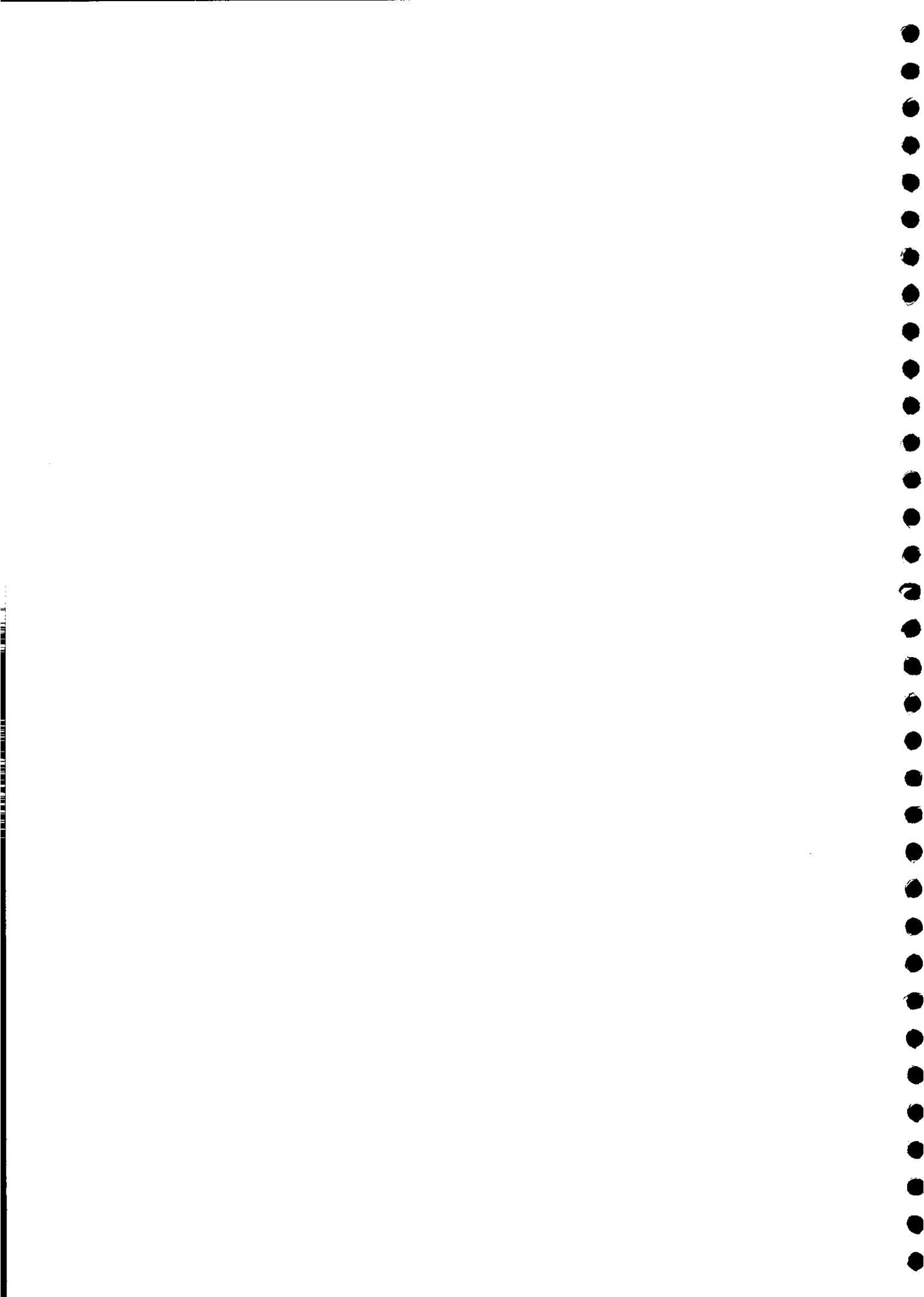
	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Raw materials and consumables	4,420	2,884	4,067	2,782
Finished goods and work in progress	7,042	4,928	5,079	4,016
Merchanting stock	1,737	1,913	1,727	1,912
	13,199	9,725	10,873	8,710

The group has consignment stock arrangements with suppliers in the ordinary course of business.

The value of such stock at cost, which has been excluded from the balance sheet in accordance with the application notes included in FRS 5, amounted to £138,000 (1999: £790,000).

15 Debtors

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	15,481	10,231	11,347	8,590
Amounts owed by fellow subsidiary undertakings	4,770	2,388	5,285	2,353
Amounts owed by subsidiary undertakings	-	-	1,687	853
Other debtors	1,465	481	906	423
Prepayments and accrued income	227	127	221	122
Corporation tax recoverable	-	95	-	415
	21,943	13,322	19,446	12,756
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	400	400
	21,943	13,322	19,846	13,156



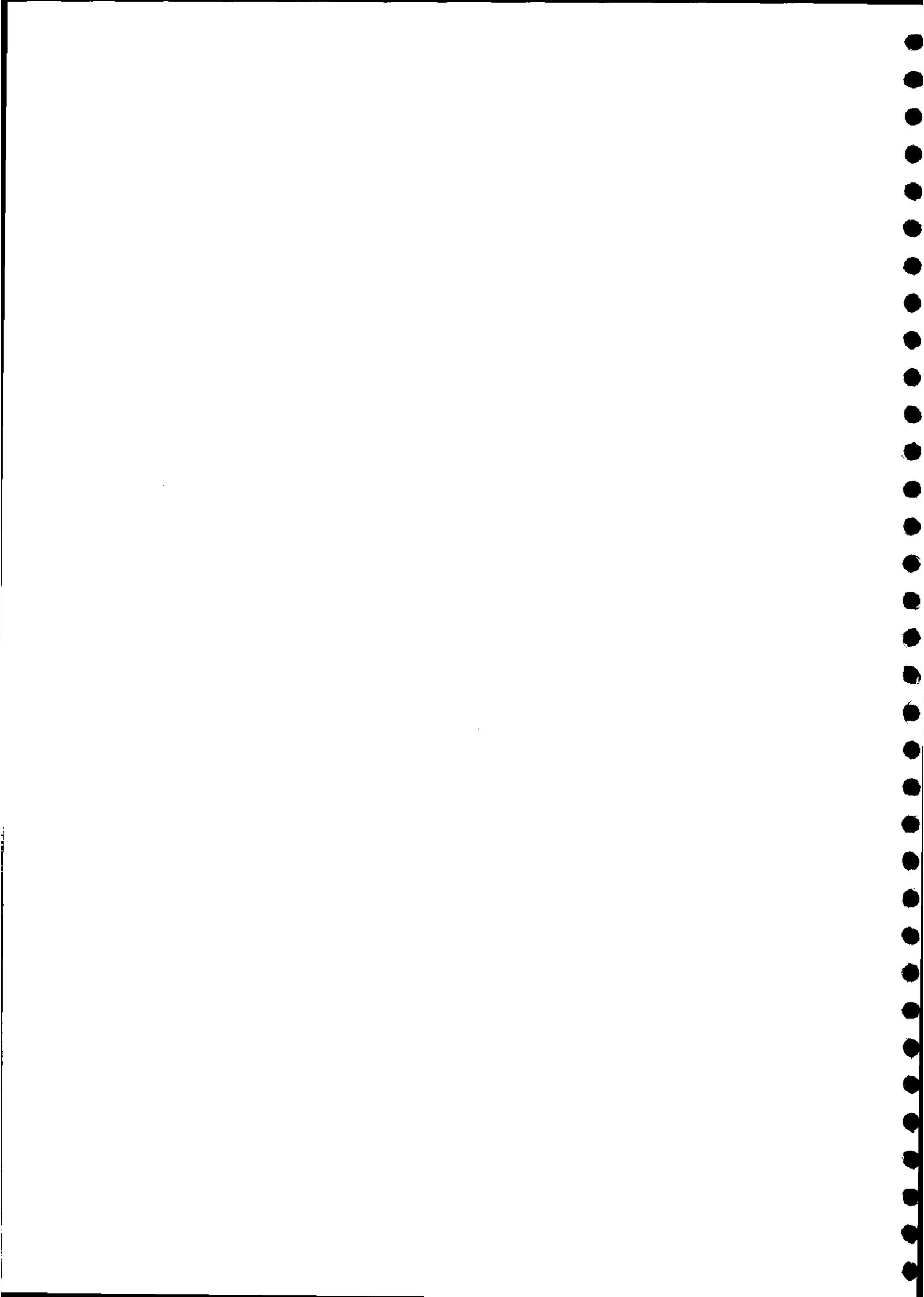
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16 Creditors – Amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts	6,417	112	5,979	112
Trade creditors	11,279	11,655	10,109	11,416
Amounts owed to fellow subsidiary undertakings	560	609	625	609
Amounts owed to subsidiary undertakings	-	-	115	257
Corporation tax payable	545	-	129	-
Other taxation and social security	323	323	323	323
Other creditors	960	386	418	272
Accruals and deferred income	737	905	614	803
Dividends payable	2,000	-	2,000	-
	22,821	13,990	20,312	13,792

17 Creditors – Amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans	6,671	1,250	6,000	1,250
Deferred income	308	424	179	254
	6,979	1,674	6,179	1,504



London & Scandinavian Metallurgical Co Limited

The maturity profile of bank loans is as follows:

	2000	1999
	£'000	£'000
Within one year	76	-
Between 2 and 5 years	6,000	1,250
Over 5 years	671	-
	6,747	1,250

The loan repayable between 2 and 5 years is repayable in quarterly instalments commencing three years after the first drawing down of the loan. The loan was drawn down on 23 December 1999. Interest is charged at 1% per annum over LIBOR.

The other loan, which is denominated in Norwegian Kroner, is repayable over a ten year period in monthly instalments. Interest is charged quarterly at 1.25% over NIBOR.

Deferred income includes deferred government grant income as follows:

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
To be released within one year	116	116	75	75
To be released within one and two years	116	116	75	75
To be released between two and five years	192	308	104	179
To be released after more than five years	-	-	-	-
	424	540	254	329

London & Scandinavian Metallurgical Co Limited

18 Provisions for liabilities and charges

Group	Restructuring £'000	Pensions (see note 23) £'000	Deferred taxation £'000	Total £'000
At 1 January 2000	841	385	848	2,074
Charge to profit and loss account	-	487	230	717
Released during the year	(86)	-	-	(86)
Utilised during the year	(755)	-	-	(755)
Acquisitions in year	-	216	-	216
Contributions to pension scheme	-	(650)	-	(650)
At 31 December 2000	-	438	1,078	1,516

Company	Restructuring £'000	Pensions (see note 23) £'000	Deferred taxation £'000	Total £'000
At 1 January 2000	841	385	698	1,924
Charge to profit and loss account	-	418	382	800
Released during the year	(86)	-	-	(86)
Utilised during the year	(755)	-	-	(755)
Contributions to pension schemes	-	(644)	-	(644)
At 31 December 2000	-	159	1,080	1,239

The restructuring provision represented compensation payments made to employees in 2000 following a reorganisation announced by the company.

London & Scandinavian Metallurgical Co Limited

Deferred taxation

Deferred taxation provided in the financial statements and the amounts for which no provision has been made, are as follows:

	Provided		Not provided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Group				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	1,484	1,021	511	540
Other timing differences	(406)	(173)	-	-
	1,078	848	511	540
Company				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	1,191	865	486	506
Other timing differences	(111)	(167)	-	-
	1,080	698	486	506

The potential amount of deferred tax on a capital gain of £530,000 made by the company on the sale of certain premises in prior years and in relation to the surplus of the company's land and buildings included at valuation has not been quantified and does not constitute a timing difference due to the expected rollover relief and existing capital losses.

19 Called up share capital

	2000 £'000	1999 £'000
Authorised, called up, allotted and fully paid equity shares		
16,000,000 ordinary shares of £1 each	16,000	16,000

London & Scandinavian Metallurgical Co Limited

20 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
Group		
At 1 January 2000	6,052	11,100
Transfer of amount equivalent to additional depreciation on revalued assets	(180)	180
Foreign exchange movements	-	(10)
Retained profit for the year	-	339
At 31 December 2000	5,872	11,609
Company		
At 1 January 2000	6,052	9,044
Transfer of amount equivalent to additional depreciation on revalued assets	(180)	180
Retained profit for the year	-	(465)
At 31 December 2000	5,872	8,759

21 Reconciliation of movements in shareholders' funds

	2000	1999
	£'000	£'000
Profit for the financial year	2,339	357
Dividends and appropriations	(2,000)	(500)
Foreign exchange movements	(10)	-
Net addition/(reduction) to shareholders' funds	329	(143)
Equity shareholders' funds at 1 January 2000	33,152	33,295
Equity shareholders' funds at 31 December 2000	33,481	33,152

London & Scandinavian Metallurgical Co Limited

22 Financial commitments

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Capital commitments				
Contracted for but not provided for	952	1,967	952	1,967

Operating lease commitments

At 31 December 2000 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	-	45	40	20
Within two to five years	3	-	144	164
In more than five years	100	3	-	-
	103	48	184	184

23 Pension commitments

The group operates a funded pension plan for its staff which is in two parts, a defined benefit plan (the "RBP") and a defined contribution plan (the "CAP"). The assets of both plans are held separately from those of the company.

The total pension cost for the group was £521,000 (1999: £726,000) of which £340,000 (1999: £634,000) relates to the RBP. The pension cost relating to the RBP is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method. The latest actuarial valuation of the scheme was at 5 April 2000. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 2.25% per annum higher than the rate at which salaries would increase and that present and future pensions would increase at a rate of 5% per annum on pre 1 January 2000 accrual of benefit and in line with inflation, subject to a maximum yearly increase of 5% per annum, on post 31 December 1999 accrual of benefit.

London & Scandinavian Metallurgical Co Limited

At the date of the latest actuarial valuation, the market value of the assets of the RBP was £45,867,000 and the actuarial value of the assets was sufficient to cover 111% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

An amount of £79,000 (1999: £323,000) is included in provisions, which represents the excess of the accumulated pension cost over the payment of contributions in the RBP pension fund.

The group accounts for the CAP on the basis of the contributions actually made by the members and the group.

24 Related party transactions

The company has taken advantage of the exemption contained in paragraph 3(c) Financial Reporting Standard No. 8 not to disclose transactions with other companies in the group.

During the year London and Scandinavian Metallurgical Co Limited and the Aluminium Powder Company Limited made sales to and purchases from Bostlan SA, an associate company and Benda-Lutz-Alpoco Sp.zo.o, a 51% subsidiary. The transactions for the year and the balance outstanding as at 31 December 2000 are summarised below:

	Sales £'000	Purchases £'000	Debtors £'000	Creditors £'000
Bostlan SA	735	36	52	3
Benda-Lutz-Alpoco Sp.zo.o	71	62	-	-
	806	98	52	3

All the above transactions are undertaken on normal commercial terms.

25 Contingent liabilities

The company has given an unlimited guarantee in respect of bank overdrafts and other facilities of The Aluminium Powder Company Limited. No amounts are drawn against this guarantee as at the year end (1999: nil).

The company has also given a guarantee in respect of bank overdrafts and other facilities of Hydelko AS. As at 31 December 2000 the guarantee was £1,108,000 (1999: £nil).

The company has given a guarantee to HMC&E in respect of VAT deferment duty. At 31 December 2000 the guarantee amounted to £1,300,000 (1999: £1,300,000).

At 31 December 2000 documentary letters of credit of £268,222 (1999: £1,146,047) and other guarantees of £49,094 (1999: £315,947) were outstanding.

London & Scandinavian Metallurgical Co Limited

26 Ultimate parent company

The company's ultimate parent company is Metallurg Holdings, Inc., whose principal address is 400 The Safeguard Building, 435 Devon Park Drive, Wayne, PA 19087, USA. Metallurg Holdings, Inc. is controlled by Safeguard International Fund, L.P., which is the ultimate controlling party of the group.

27 Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	£'000	£'000
Operating profit	4,176	712
Depreciation charges	2,326	2,004
Amortisation of goodwill	73	19
Amortisation of know-how	21	-
Grant amortisation	(116)	(156)
Loss on sale of fixed assets	(2)	96
(Increase)/decrease in stocks	(1,478)	3,029
(Increase)/decrease in debtors	(6,788)	492
(Decrease)/increase in creditors	(2,054)	4,122
Exchange differences	(8)	-
Net cash inflow from operating activities	(3,850)	10,318

28 Reconciliation of net cash flow to movement in net debt

	2000	1999
	£'000	£'000
(Decrease)/increase in cash in the period	(12,061)	6,485
Cash outflow from decrease in debt and lease financing	-	-
Change in net funds/(debt) resulting from cash flows	(12,061)	6,485
Receipt of loans	(5,497)	(1,250)
	(17,558)	5,235
Movement in net debt in the period		
Net funds at 1 January	6,320	1,085
Net (debt)/funds at 31 December	(11,238)	6,320

London & Scandinavian Metallurgical Co Limited

29 Analysis of changes in net debt

	At 1 January 2000 £'000	Cash flow £'000	At 31 December 2000 £'000
Cash at bank and in hand	7,682	(5,832)	1,850
Overdrafts	(112)	(6,229)	(6,341)
	7,570	(12,061)	(4,491)
Debt due within one year	-	(76)	(76)
Debt due after one year	(1,250)	(5,421)	(6,671)
	6,320	(17,558)	(11,238)

