

Registered no: 345279

**London & Scandinavian Metallurgical  
Co Limited**

**Annual report**

**for the year ended 31 December 1999**



# **London & Scandinavian Metallurgical Co Limited**

## **Annual report for the year ended 31 December 1999**

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## Directors and Advisers

### Directors

A D Ewart (Chairman) (appointed 2 November 1999)

E E Jackson

Dr J Pearson (Managing Director)

J M Bradbury

J L F Kellie (resigned 31 December 1999)

S W Kober

A R E MacDonell

Dr L Ranson

S R Thistlethwaite (appointed 1 January 2000)

### Secretary and Registered Office

A R E MacDonell

Fullerton Road

Rotherham

S60 1DL

### Registered 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

## **Directors' report for the year ended 31 December 1999**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### **Principal activities**

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

### **Review of business and future developments**

The group's superalloy and steel businesses experienced difficult trading conditions during the year. The weakness of the euro also reduced profitability.

During the year the directors decided to reorganise the company into three principal divisions and to close its office in Wimbledon. With one minor exception, the size and scope of the business has not been affected by this reorganisation.

Both turnover and profitability have improved in 2000. 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 on 31 March 2000 for the equivalent of £5.9m.

Capital expenditure was £3,398,000 (1998: £2,769,000) and will remain at a high level in 2000 as the company modernises and expands its plants and broadens its product range.

### **Dividends**

The directors have recommended and paid a final ordinary dividend in respect of the year ended 31 December 1999 of £500,000 (1998: £2,000,000).

### **Research and development**

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

### **Directors and their interests**

The directors who served 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.

## Charitable donations

The charitable contributions made by the group during the year amounted to £25,613 (1998: £24,706). There were no political contributions (1998: £nil).

## 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.

## Year 2000

A plan was in place to deal with year 2000 compliance of those systems critical to the business. No Year 2000 problems have been experienced to date and none are anticipated.

In accordance with UITF 20 the costs of the programme have been written off as incurred.

## Statement of 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 period.

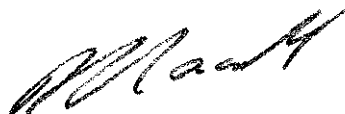
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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

**Auditors**

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors to the Company.

**By order of the Board**

A handwritten signature in dark ink, appearing to read 'A R E MacDonell', written in a cursive style.

A R E MacDonell

Secretary

15<sup>th</sup> July 2000

**Report of the auditors to the members of  
London & Scandinavian Metallurgical Co Limited**

We have audited the financial statements on pages 7 to 26.

**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.

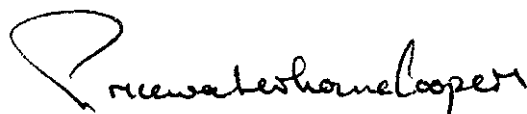
**Basis of audit opinion**

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 affairs of the company and the group at 31 December 1999 and of the result and cash flows for 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

21 July 2000



**Consolidated profit and loss account  
for the year ended 31 December 1999**

	Notes	1999 £'000	1998 £'000
Turnover – continuing operations	2	95,245	107,349
Cost of sales		(85,713)	(95,060)
Gross profit		9,532	12,289
Operating expenses	5	(7,362)	(8,199)
Operating profit before exceptional items		2,170	4,090
Exceptional items	6	(1,458)	-
Operating profit - continuing operations		712	4,090
Interest receivable and similar income	7	72	174
Interest payable and similar charges	8	(66)	(281)
		6	(107)
Profit on ordinary activities before taxation	9	718	3,983
Tax on profit on ordinary activities	10	(361)	(1,376)
Profit on ordinary activities after taxation		357	2,607
Dividends	11	(500)	(2,000)
Retained (loss)/profit for the financial year	22	(143)	607

All figures above related to continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account. Therefore no separate statement of total recognised gains and losses has been presented.

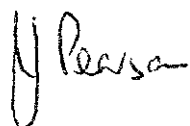
**Note of historical cost profits and losses**

	1999 £'000	1998 £'000
Reported profit on ordinary activities before taxation	718	3,983
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	180	180
Historical cost profit on ordinary activities before taxation	898	4,163
Historical cost profit on ordinary activities after taxation	537	2,787

**Balance sheets  
at 31 December 1999**

	Notes	Group		Company	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Fixed assets</b>					
Tangible assets	13	19,297	17,999	17,030	15,532
Investments	14	864	883	1,913	1,932
		<u>20,161</u>	<u>18,882</u>	<u>18,943</u>	<u>17,464</u>
<b>Current assets</b>					
Stocks	15	9,725	12,754	8,710	11,480
Debtors	16	13,322	13,849	13,156	14,152
Cash at bank and in hand		7,682	1,326	7,507	1,229
		<u>30,729</u>	<u>27,929</u>	<u>29,373</u>	<u>26,861</u>
<b>Creditors: amounts falling due within one year</b>	17	(13,990)	(12,007)	(13,792)	(11,145)
<b>Net current assets</b>		<u>16,739</u>	<u>15,922</u>	<u>15,581</u>	<u>15,716</u>
<b>Total assets less current liabilities</b>		<u>36,900</u>	<u>34,804</u>	<u>34,524</u>	<u>33,180</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(1,674)	(539)	(1,504)	(329)
<b>Provisions for liabilities and charges</b>	19	(2,074)	(970)	(1,924)	(865)
<b>Net assets</b>		<u>33,152</u>	<u>33,295</u>	<u>31,096</u>	<u>31,986</u>
<b>Capital and reserves</b>					
Called up share capital	20	16,000	16,000	16,000	16,000
Revaluation reserve	22	6,052	6,232	6,052	6,232
Profit and loss account	22	11,100	11,063	9,044	9,754
<b>Equity shareholders' funds</b>		<u>33,152</u>	<u>33,295</u>	<u>31,096</u>	<u>31,986</u>

The financial statements on pages 7 to 26 were approved by the board of directors on July 2000 and were signed on its behalf by:



J Pearson  
Director

**Consolidated cash flow statement  
for the year ended 31 December 1999**

	Notes	1999 £'000	1998 £'000
Net cash inflow from operating activities	28	10,318	8,967
<b>Returns on investments and servicing of finance</b>			
Interest received		72	173
Interest paid		(67)	(284)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		5	(111)
<b>Taxation</b>			
Corporation tax paid (including advance corporation tax)		(1,190)	(51)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(3,398)	(2,769)
Receipt from sales of tangible fixed assets		-	15
Receipt of grant		-	-
Purchase of fixed asset investments		-	(883)
<b>Net cash outflow from capital investment and financial investment</b>		(3,398)	(3,637)
<b>Equity dividends paid</b>		(500)	(2,000)
		5,235	3,168
<b>Financing</b>	29		
Receipt of loans		1,250	-
Repayment of loan		-	(5,240)
<b>Net cash inflow/(outflow) from financing</b>		1,250	(5,240)
<b>Increase/(decrease) in cash</b>	29	6,485	(2,072)

**Notes to the financial statements  
for the year ended 31 December 1999****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 applied consistently, except as stated, is set out below.

**Changes in presentation of the financial information**

FRS 12 "Provisions, contingent liabilities and contingent assets" came into effect for these financial statements, but has not resulted in any changes in presentation.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain 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.

**Tangible 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%

**Research and development**

Expenditure on research and development (excluding expenditure on fixed assets) is written off through the profit and loss account as incurred.

**Goodwill**

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.

**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.

**Stocks**

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

Merchanting 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 15.

**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.

**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.

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.

**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.

**Pension costs**

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.

**2 Turnover**

Turnover represents the invoiced value, net of value added tax, of sales of goods as principal and commission earned as agent.

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 analysis by geographical destination of the group's turnover is set out below:

	1999 £'000	1998 £'000
United Kingdom	26,267	27,721
Rest of Europe	32,400	39,134
Rest of the World	36,578	40,494
	<u>95,245</u>	<u>107,349</u>

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

### 3 Directors' emoluments

	1999 £'000	1998 £'000
Aggregate emoluments	525	633
Pensions paid to former directors and spouses	3	2

Seven (1998: seven) directors are accruing benefits under a defined benefit scheme. There are no directors accruing benefits under a money purchase scheme.

	1999 £'000	1998 £'000
<b>Highest paid director</b>		
Aggregate emoluments	132	121
Defined benefit schemes:		
Accrued pension at end of year	52	48

### 4 Employee information

	1999 No.	1998 No.
<b>Average number of persons employed</b>		
Production	301	322
Sales and administration	116	116
	<u>417</u>	<u>438</u>
	<u>1999 £'000</u>	<u>1998 £'000</u>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	10,070	10,677
Social security costs	1,008	1,047
Pension costs (note 24)	726	700
	<u>11,804</u>	<u>12,424</u>

**5 Operating expenses**

	1999 £'000	1998 £'000
Distribution costs	1,427	1,562
Administrative expenses	5,935	6,637
	<u>7,362</u>	<u>8,199</u>

**6 Exceptional costs**

	1999 £'000	1998 £'000
Cost of sales	643	-
Distribution costs	304	-
Administrative expenses	511	-
	<u>1,458</u>	<u>-</u>

Exceptional costs relate to restructuring the company into three divisions and the closure of the office in Wimbledon.

**7 Interest receivable and similar income**

	1999 £'000	1998 £'000
Other interest receivable	<u>72</u>	<u>174</u>

**8 Interest payable and similar charges**

	1999 £'000	1998 £'000
Interest payable to fellow group undertakings	15	175
Bank borrowings repayable within five years	51	106
	<u>66</u>	<u>281</u>



## 9 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amortisation		
Owned tangible fixed assets	2,004	1,698
Goodwill	19	-
Rentals under operating leases		
Hire of plant and machinery	23	23
Other operating leases	293	301
Loss on disposal of fixed assets	96	185
Amortisation of government grants	(156)	(222)
Research and development expenditure	742	964
Group audit fees and expenses of which the parent company was £34,000 (1998:£33,000)	42	40
Foreign exchange gain	(295)	(89)
	<u>          </u>	<u>          </u>

Fees paid to the company's auditors for provision of non-audit services to the company and its subsidiary undertakings amounted to £43,960 (1998: £12,650).

## 10 Tax on profit on ordinary activities

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998: 31%) based on the profit for the year:		
Corporation tax	87	1,222
Deferred taxation	260	128
	<u>          </u>	<u>          </u>
	347	1,350
Adjustments to prior years' tax provisions		
Corporation tax	(35)	114
Deferred tax	49	(88)
	<u>          </u>	<u>          </u>
	361	1,376
	<u>          </u>	<u>          </u>

The taxation charge for the year has been increased by £108,000 (1998: increased by £142,000) in respect of permanent timing differences.

## 11 Dividends

A dividend of £0.5 million (1998: £2.0 million) was paid to the parent company during the year on the equity shares.

## 12 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 for the financial year is made up as follows:

	1999 £'000	1998 £'000
Dealt with in the accounts of the parent company	(390)	2,700
Retained by subsidiary companies	747	(93)
	<u>357</u>	<u>2,607</u>

## 13 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 1999	11,351	24,436	35,787
Additions	1,296	2,102	3,398
Disposals	-	(1,181)	(1,181)
<b>At 31 December 1999</b>	<b>12,647</b>	<b>25,357</b>	<b>38,004</b>
<b>Depreciation</b>			
At 1 January 1999	2,942	14,846	17,788
Charge for the year	381	1,623	2,004
Disposals	-	(1,085)	(1,085)
<b>At 31 December 1999</b>	<b>3,323</b>	<b>15,384</b>	<b>18,707</b>
<b>Net book value</b>			
<b>At 31 December 1999</b>	<b>9,324</b>	<b>9,973</b>	<b>19,297</b>
At 31 December 1998	8,409	9,590	17,999
<b>Cost or valuation at 31 December 1999 is represented by:</b>			
Valuation in 1991	9,264	-	9,264
Cost	3,383	25,357	28,740
	<u>12,647</u>	<u>25,357</u>	<u>38,004</u>

Company	Freehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 1999	10,240	21,099	31,339
Additions	1,295	1,956	3,251
Disposals	-	(1,147)	(1,147)
<b>At 31 December 1999</b>	<b>11,535</b>	<b>21,908</b>	<b>33,443</b>
<b>Depreciation</b>			
At 1 January 1999	2,164	13,643	15,807
Charge for the year	336	1,340	1,676
Disposals	-	(1,070)	(1,070)
<b>At 31 December 1999</b>	<b>2,500</b>	<b>13,913</b>	<b>16,413</b>
<b>Net book value</b>			
<b>At 31 December 1999</b>	<b>9,035</b>	<b>7,995</b>	<b>17,030</b>
At 31 December 1998	8,076	7,456	15,532
<b>Cost or valuation at 31 December 1999 is represented by:</b>			
Valuation in 1991	9,264	-	9,264
Cost	2,271	21,908	24,179
	<b>11,535</b>	<b>21,908</b>	<b>33,443</b>

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.

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

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Cost	6,874	5,577	5,760	4,465
Aggregate depreciation based on cost	3,601	3,400	2,777	2,621

## 14 Fixed asset investments

Group	Joint ventures £'000	Associate £'000	Total £'000
<b>Cost at 1 January 1999 and at 31 December 1999</b>			
- goodwill	-	385	385
- other	222	276	498
	<u>222</u>	<u>661</u>	<u>883</u>
<b>Amounts written off:</b>			
- at 1 January 1999	-	-	-
- amortisation of goodwill	-	19	19
	<u>-</u>	<u>19</u>	<u>19</u>
At 31 December 1999	<u>-</u>	<u>19</u>	<u>19</u>
<b>Net book value at 31 December 1999</b>	<u>222</u>	<u>642</u>	<u>864</u>
Net book value at 31 December 1998	<u>222</u>	<u>661</u>	<u>883</u>
<b>Company</b>	<b>Associate £'000</b>	<b>Group undertakings £'000</b>	<b>Total £'000</b>
<b>Cost at 1 January 1999 and at 31 December 1999</b>			
- goodwill	385	-	385
- other	276	1,271	1,547
	<u>661</u>	<u>1,271</u>	<u>1,932</u>
<b>Amounts written off:</b>			
- at 1 January 1999	-	-	-
- amortisation of goodwill	19	-	19
	<u>19</u>	<u>-</u>	<u>19</u>
At 31 December 1999	<u>19</u>	<u>-</u>	<u>19</u>
<b>Net book value sat 31 December 1999</b>	<u>642</u>	<u>1,271</u>	<u>1,913</u>
Net book value at 31 December 1998	<u>661</u>	<u>1,271</u>	<u>1,932</u>

The group's share of profit of joint ventures and associated undertakings in the year was not material.

## 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
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
Associate				
Bostlan SA	Spain	Ordinary Pts 4,250 shares	25	25
Joint venture				
Benda-Lutz-Alpoco Sp.zo.o	Poland	Ordinary Pln 25,000 shares	51	51

\* 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.

Bostlan SA is involved in manufacturing and trading aluminium tablets.

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

## 15 Stocks

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Raw materials and consumables	2,884	3,832	2,782	3,711
Finished goods and work in progress	4,928	5,940	4,016	4,813
Merchanting stock	1,913	2,982	1,912	2,956
	<u>9,725</u>	<u>12,754</u>	<u>8,710</u>	<u>11,480</u>

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 FRS5, amounted to £790,000 (1998: £359,000).

**16 Debtors**

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	10,231	10,375	8,590	8,928
Amounts owed by fellow subsidiary undertakings	2,388	2,511	2,353	2,843
Amounts owed by subsidiary undertakings	-	-	853	747
Other debtors	481	667	423	595
ACT recoverable	-	130	-	130
Prepayments and accrued income	127	166	122	159
Current corporation tax	95	-	415	-
	<u>13,322</u>	<u>13,849</u>	<u>12,756</u>	<u>13,402</u>
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	400	750
	<u>13,322</u>	<u>13,849</u>	<u>13,156</u>	<u>14,152</u>

**17 Creditors: amounts falling due within one year**

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	112	241	112	-
Trade creditors	11,655	6,768	11,416	6,444
Amounts owed to fellow subsidiary undertakings	609	2,111	609	2,094
Amounts owed to subsidiary undertakings	-	-	257	248
Current corporation tax	-	1,173	-	687
Other taxation and social security	323	285	323	285
Other creditors	386	337	272	336
Accruals and deferred income	905	1,092	803	1,051
	<u>13,990</u>	<u>12,007</u>	<u>13,792</u>	<u>11,145</u>

**18 Creditors: amounts falling due after more than one year**

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank loan	1,250	-	1,250	-
Deferred income	424	539	254	329
	<u>1,674</u>	<u>539</u>	<u>1,504</u>	<u>329</u>

The loan 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. All amounts are repayable within two to five years. Interest is charged at 1% per annum over LIBOR.

Deferred income includes deferred government grant income as follows:

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
To be released within one year	116	157	75	116
To be released within one and two years	116	116	75	75
To be released between two and five years	308	348	179	225
To be released after more than five years	-	75	-	29
	<u>540</u>	<u>696</u>	<u>329</u>	<u>445</u>

## 19 Provisions for liabilities and charges

	Restructuring £'000	Pensions (see note 24) £'000	Deferred Taxation £'000	Total £'000
<b>Group</b>				
At 1 January 1999	-	431	539	970
Profit and loss account	1,458	680	309	2,447
Utilised in the period	(617)	-	-	(617)
Contributions to pension scheme	-	(726)	-	(726)
<b>At 31 December 1999</b>	<u>841</u>	<u>385</u>	<u>848</u>	<u>2,074</u>

	Restructuring £'000	Pensions (see note 24) £'000	Deferred Taxation £'000	Total £'000
<b>Company</b>				
At 1 January 1999	-	431	434	865
Profit and loss account	1,458	616	264	2,338
Utilised in the period	(617)	-	-	(617)
Contributions to pension schemes	-	(662)	-	(662)
<b>At 31 December 1999</b>	<u>841</u>	<u>385</u>	<u>698</u>	<u>1,924</u>

The restructuring provision represents the compensation payments due in 2000 to those staff who will become redundant once the reorganisation has been completed. The office in Wimbledon closed at the end of June 2000.

## 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	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Group</b>				
<b>Tax effect of timing differences because of:</b>				
Excess of tax allowances over depreciation	1021	883	540	561
Other timing differences	(173)	(344)	-	-
	<u>848</u>	<u>539</u>	<u>540</u>	<u>561</u>
<b>Company</b>				
<b>Tax effect of timing differences because of:</b>				
Excess of tax allowances over depreciation	865)	771	506	527
Other timing differences	(167)	(337)	-	-
	<u>698</u>	<u>434</u>	<u>506</u>	<u>527</u>

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.

## 20 Called up share capital

	1999 £'000	1998 £'000
Authorised, called up, allotted and fully paid equity shares		
16,000,000 ordinary shares of £1 each	<u>16,000</u>	<u>16,000</u>

## 21 Financial commitments

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Capital commitments</b>				
Contracted for but not provided for	<u>1,967</u>	<u>120</u>	<u>1,967</u>	<u>41</u>



## Operating lease commitments

At 31 December 1999 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	45	-	20	39
Within two to five years	-	45	164	160
In more than five years	3	3	-	-
	<u>48</u>	<u>48</u>	<u>184</u>	<u>199</u>

## 22 Reserves

	Revaluation Reserve £'000	Profit and loss account £'000
<b>Group</b>		
At 1 January 1999	6,232	11,063
Transfer of amount equivalent to additional depreciation on revalued assets	(180)	180
Retained loss for the year	-	(143)
<b>At 31 December 1999</b>	<u>6,052</u>	<u>11,100</u>
<b>Company</b>		
At 1 January 1999	6,232	9,754
Transfer of amount equivalent to additional depreciation on revalued assets	(180)	180
Retained loss for the year	-	(890)
<b>At 31 December 1999</b>	<u>6,052</u>	<u>9,044</u>

## 23 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	357	2,607
Dividends and appropriations	(500)	(2,000)
Net (reduction)/addition to shareholders' funds	<u>(143)</u>	<u>607</u>
Opening shareholders' funds	33,295	32,688
Closing shareholders' funds	<u>33,152</u>	<u>33,295</u>

**24 Pension and similar obligations**

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 £726,000 (1998: £700,000) of which £634,000 (1998: £616,000) 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 6 April 1998. 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 3.75% per annum higher than the rate at which salaries would increase in the three years following the date of the actuarial valuation and 1.75% per annum higher thereafter and that present and future pensions would increase at the rate of 5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the RBP was £29,360,415 and the actuarial value of the assets was sufficient to cover 100% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

An amount of £323,000 (1998: £409,000) is included in provisions, which represents the excess of the accumulated pension cost over the payment of contributions in the pension fund.

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

**25 Contingent liabilities**

The company has an unlimited guarantee in respect of bank overdrafts and other facilities of subsidiary undertakings. No amounts are drawn against this guarantee as at the year end (1998: £nil).

**Writ received from Verkhne-Saldinsky Metallurgical Production Organization ("VSMPO"), Russia**

In June 1998, the company received a writ claiming damages from the company and three other named defendants for alleged wrongful conversion of VSMPO's goods between December 1991 and June 1994. The company denies all liability under this claim. The proceedings have been dormant for 18 months and in July 1999, VSMPO's solicitors applied formally to be removed from the court record leaving VSMPO without legal representation.

**26 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 joint venture company. The transactions for the year and the balance outstanding as at 31 December 1999 are summarised below:

	Year to 31 December 1999		As at 31 December 1999	
	Sales £'000	Purchases £'000	Debtors £'000	Creditors £'000
Bostlan SA	366	304	45	-
Benda-Lutz-Alpoco Sp.zo.o	-	65	-	-
	<u>366</u>	<u>369</u>	<u>45</u>	<u>-</u>

All the above transactions are undertaken on normal commercial terms.

## 27 Ultimate parent company

The company's ultimate parent company is Metallurg Holdings, Inc., whose principal address is 800 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.

## 28 Reconciliation of operating profit to net cash inflow from operating activities

	1999 £'000	1998 £'000
Operating profit	712	4,090
Depreciation charges	2,004	1,698
Amortisation of goodwill	19	-
Grant amortisation	(156)	(222)
Loss on sale of tangible fixed assets	96	185
Decrease/(increase) in stocks	3,029	(12)
Decrease in debtors	492	5,498
Increase/(decrease) in creditors	4,122	(2,270)
Net cash inflow from operating activities	<u>10,318</u>	<u>8,967</u>

**29 Reconciliation of net cash flow to movement in net debt**

	1999 £'000	1998 £'000
Increase/(decrease) in cash in period	6,485	(2,072)
Cash outflow from decrease in debt and lease financing	-	-
Change in net funds/(debt) resulting from cash flows	6,485	(2,072)
Receipt of loans	(1,250)	-
Repayment of loans	-	5,240
Movement in net debt in the period	5,235	3,168
Net funds/(debt) at 1 January 1999	1,085	(2,083)
Net funds at 31 December 1999	6,320	1,085

**30 Analysis of changes in net funds**

	At 1 January 1999 £'000	Cash flow £'000	At 31 December 1999 £'000
Cash in hand and at bank	1,326	6,356	7,682
Overdrafts	(241)	129	(112)
	1,085	6,485	7,570
Debt due within one year	-	(1,250)	(1,250)
	1,085	5,235	6,320