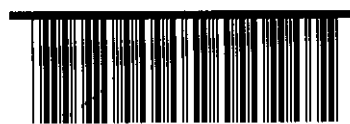


TradeARBED UK Limited

**Directors' report and financial
statements**

Registered number 400080

For the year ended 31 December 1999



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Directors' report

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

Activities

The principal activities of the company are to act as agent for the sale of steel produced by other group companies, the sale to group companies of certain ancillary items as principal and the sale of steel to third parties as principal. No change in the activities of the company is anticipated at present.

Results

The results for the year are as follows:

	1999 £	1998 £
Turnover	637,711	977,963
(Loss)/profit on ordinary activities before taxation	(250,851)	4,020
Proposed transfer to/(from) reserves	(250,851)	3,814

Results for the year have been distorted by the impact of a fraud which is disclosed in note 3.

Operations in 1999 are lower than in 1998 due to the transfer of Sidstahl NV sales to Sidstahl UK Ltd during 1998.

Fixed assets

The movement in tangible fixed assets is set out in note 10 to the financial statements.

Dividend

The directors do not recommend the payment of a dividend in respect of the year (1998: £Nil).

Directors and directors' interests

The directors who served during the year are as follows:

ABP Clasen (resigned 1 October 2000)
J-C Lecomte

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' responsibilities

Year 2000

The directors acknowledge the importance of the year 2000 issue and the impact it could have on many areas of the business, both internally and with regard to its relationship with the outside world. The group has completed its project to review millennium-related issues and has updated all its key systems as part of a general upgrade in facilities. The estimated total cost of specific year 2000 work undertaken is not material.

No problems were experienced at the date change. However, given the complexity of the problem, no absolute assurance can be obtained that unforeseen problems will still not occur. The directors are continuing to monitor the situation and are confident that reasonable contingency plans are in place to deal with any issues arising.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the annual general meeting.

By order of the board


JC Lecomte
Director

Monaco House
Bristol Street
Birmingham
B5 7AS

11 October 2000



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of TradeARBED UK Limited

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

11 October 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover - continuing operations	2	637,711	977,963
Cost of sales		(218,600)	(121,159)
Gross profit		419,111	856,804
Administrative expenses:			
Recurring		(400,927)	(866,643)
Exceptional administration expense	3	(272,013)	-
Total administrative expenses		(672,940)	(866,643)
Operating loss - continuing activities		(253,829)	(9,839)
Other interest receivable and similar income	4	2,978	13,859
Profit on ordinary activities before taxation	5	(250,851)	4,020
Tax on profit on ordinary activities	6	-	(206)
Profit/(loss) for the financial year		(250,851)	3,814
Retained profit brought forward from previous year		21,566	17,752
Retained profit carried forward		(229,285)	21,566

No operations were discontinued during the year and the company has no recognised gains or losses other than the loss for the financial year.

Movements in shareholders' funds
for the year ended 31 December 1999

	1999 £	1998 £
Profit/(loss) for the financial year	(250,851)	3,814
Opening shareholders' funds	221,566	27,752
Issue of shares	-	190,000
Closing shareholders' funds	(29,285)	221,566

Balance sheet
at 31 December 1999

	<i>Note</i>	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	10		43,460		54,382
Current assets					
Debtors	11	239,820		429,118	
Cash at bank and in hand		176,102		11,482	
			<u>415,922</u>	<u>440,600</u>	
Creditors: amounts falling due within one year	12	(268,667)		(273,416)	
Net current assets/(liabilities)			<u>147,255</u>		167,184
Creditors: amounts falling due after more than one year	13		(220,000)		-
Total assets less current liabilities			<u>(29,285)</u>		<u>221,566</u>
Capital and reserves					
Called up share capital	15		200,000		200,000
Profit and loss account			(229,285)		21,566
Shareholders funds (all equity interests)			<u>(29,285)</u>		<u>221,566</u>

These financial statements were approved by the board of directors on 11 October 2000 and were signed on its behalf by:


JC Lecomte
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The going concern assumption has been adopted as the company has received an undertaking from its parent company to support its operations. The principal accounting policies are as follows:

Depreciation

Depreciation is provided on fixed assets so as to write off the cost of the assets over their estimated useful lives as follows:

Motor cars	- 25% straight line
Fixtures and fittings	- 25% reducing balance
Computer equipment	- 25% straight line

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date.

Deferred taxation

Deferred taxation is provided in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future. Provision is made at the corporation tax rate that is expected to apply at the date of crystallisation.

Pensions

The company operates a defined benefit contributory pension scheme. The scheme is fully funded and contributions are paid into the scheme in accordance with the recommendations of independent actuaries. Contributions are charged against profits over the working lives of the employees concerned at rates which are calculated to ensure that the scheme remains fully funded.

Assets held under operating leases

Rental payments for assets held under operating leases are charged to the profit and loss account in the period in which they are incurred.

2 Turnover

This represents sales and commissions attributable to business undertaken during the year and is stated net of VAT and credit notes issued in respect of claims.

3 Exceptional administrative expenses

During the year, a fraud was identified involving the misappropriation of company and group funds. The full cost of assets misappropriated and associated legal and professional costs to be borne by the company has been provided. Legal action to recover these costs is underway. Recovery is not assumed until the repayment is received.

4 Other interest receivable and similar income

	1999 £	1998 £
Interest receivable	2,978	13,859

Notes (continued)

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation has been arrived at after charging:

	1999 £	1998 £
Depreciation	33,868	34,215
Loss/(profit) on disposal of fixed assets	5,616	982
Auditors' remuneration	7,000	8,587
Non-audit fees	13,400	-
Lease of land and buildings	18,173	25,412
	<u> </u>	<u> </u>

6 Tax on profit on ordinary activities

This represents:

	1999 £	1998 £
UK corporation tax at 30% (1997:31%)	-	2,000
Adjustment in respect of previous year	-	(1,794)
	<u> </u>	<u> </u>
	-	206
	<u> </u>	<u> </u>

7 Directors' emoluments

	1999 £	1998 £
Directors' emoluments	29,034	85,410
	<u> </u>	<u> </u>

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
	<u> </u>	<u> </u>

8 Loans to officers

	1999 £	1998 £
Loan outstanding at end of year in respect of one officer of the company	-	9,847
	<u> </u>	<u> </u>

Notes (continued)

9 Staff numbers and costs

The average number of staff employed during the year was 12 (1998: 24).

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	231,864	505,726
Social security costs	18,940	42,346
Other pension costs	23,008	53,566
	<u>273,812</u>	<u>601,638</u>

In addition, payroll costs totalling £149,470 in respect of the above staff were recharged to a fellow group company, Sidstahl UK Limited.

From 1 January 1999 14 employees have transferred their contract of employment to a fellow group company Sidstahl UK Limited.

10 Tangible fixed assets

	Fixtures, fittings and equipment £	Motor cars £	Total £
Cost			
At beginning of year	297,014	36,849	333,863
Additions	28,562	-	28,562
Disposals	(82,854)	-	(82,854)
	<u>242,722</u>	<u>36,849</u>	<u>279,571</u>
At end of year	242,722	36,849	279,571
Depreciation			
At beginning of year	257,182	22,299	279,481
Charge for the year	24,656	9,212	33,868
Disposals	(77,238)	-	(77,238)
	<u>204,600</u>	<u>31,511</u>	<u>236,111</u>
At end of year	204,600	31,511	236,111
Net book value			
At 31 December 1999	<u>38,122</u>	<u>5,338</u>	<u>43,460</u>
At 31 December 1998	<u>39,832</u>	<u>14,550</u>	<u>54,382</u>

Notes (continued)

11 Debtors

	1999 £	1998 £
Trade debtors	55,274	40,108
Amounts owed by group undertakings	152,023	263,437
Other debtors	28,996	102,096
Prepayments and accrued income	3,527	23,477
	<u>239,820</u>	<u>429,118</u>

12 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	23,459	32,701
Trade creditors	9,176	16,494
Amounts owed to group undertakings	46,908	169,353
Corporation tax	-	2,098
Other taxation and social security	47,384	26,347
Other creditors	153	-
Accruals and deferred income	141,587	26,423
	<u>268,667</u>	<u>273,416</u>

13 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Amounts owed to group undertakings	220,000	-
	<u>220,000</u>	<u>-</u>

14 Provisions for liabilities and charges

The amounts provided for deferred taxation together with the potential deferred tax asset calculated under the liability method at 30% (1998: 31%) are as follows:

	Amount provided £	1999 Potential deferred tax asset not provided £	Amount provided £	1998 Potential deferred tax asset not provided £
Fixed asset timing differences	-	16,100	-	14,871
Losses and other timing differences	-	82,700	-	-
	<u>-</u>	<u>98,800</u>	<u>-</u>	<u>14,871</u>

Notes (continued)

15 Called up share capital

	1999 £	1998 £
<i>Authorised, allotted, called up and fully paid:</i>		
200,000 ordinary shares of £1 each (1998: 200,000)	<u>200,000</u>	<u>200,000</u>

16 Capital commitments

There were no capital commitments at 31 December 1999 (1998: £Nil).

17 Commitments under operating leases

The annual commitments under operating leases are as follows:

	Lease of land and buildings	
	1999 £	1998 £
Leases which expire in more than five years	<u>81,231</u>	<u>9,944</u>

Lease commitments show the total payable for leases held by the company. 70% of lease costs are recharged to fellow subsidiary undertakings.

18 Pension commitments

The company operates a funded defined benefit pension scheme. The assets of the scheme are held separately from those of the company by an independent insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The contributions are determined by a qualified actuary using the projected unit method. The level of funding is 14.8% of gross salary.

The most recent actuarial valuation using the projected unit method was at 1 May 1997. This showed that the market value of the scheme's assets was £1,074,000 and that the actuarial value of those assets represented 83% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The main assumptions used in the valuation were that investment returns would exceed salary increases by 1%. The deficit is being recovered over a period of 20 years by an increase in the level of funding to 19.1%.

The charge for the period was £23,008 (1998: £53,566).

19 Ultimate holding company

The ultimate holding company is ARBED S.A., which is registered in Luxembourg. Copies of the financial statements may be obtained from 19 Avenue de La Liberte, L-2930 Luxembourg.

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under FRS8 from disclosing transactions or balances with entities that are part of the group qualifying as related party.