

**ARMCO LIMITED**

**DIRECTORS' REPORT AND  
ACCOUNTS**

**FOR THE YEAR ENDED  
31ST OCTOBER 1998**



**Company No. 932617**

**ARMCO LIMITED**

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## **ARMCO LIMITED**

### **DIRECTORS' REPORT**

FOR THE YEAR ENDED 31ST OCTOBER 1998

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The directors present their report together with the audited accounts for the year ended 31st October 1998.

#### **Principal Activities**

The company's principal activity continued to be that of the importation and sale of speciality steel products from associated companies and licensed producers.

#### **Directors**

The directors who served during the year were:

PC Walker - Appointed 28.1.99

H Schneider

B D Green

B D H Cooper

N H Walker - Resigned 31.12.98

J R Scarborough - Appointed 4.3.99

None of the directors has any beneficial interest in the shares of the company. The interests of the directors in the shares of the ultimate holding company are not reported, since disclosure is exempted under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

#### **Year 2000 Issues**

As discussed at length in the media, many computer systems and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the year 2000.

Our business depends on a computerised accounting and stock control system and our suppliers have given assurances that it is Year 2000 compliant. We could also be at risk if other parties do not adequately deal with this issue. A programme is ongoing to contact all suppliers and obtain the necessary assurances.

It is impossible to guarantee that no Year 2000 problems will occur. However, the directors are confident that the company will be able to adequately deal with any problems that may arise.

#### **Directors' Responsibilities**

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

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;

Prepare the accounts 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 enable them to ensure that the accounts 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.

**ARMCO LIMITED**

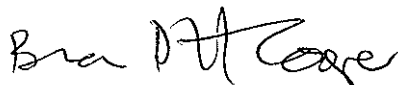
**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST OCTOBER 1998**

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**Small company exemptions**

The report of the Directors' has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and was approved by the board on 26th May 1999, and signed on its behalf.

A handwritten signature in dark ink, appearing to read 'B D H Cooper', is written over the printed name.

B D H Cooper, Secretary

**AUDITORS' REPORT TO THE  
SHAREHOLDERS OF ARMCO LIMITED**

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We have audited the accounts on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**Respective Responsibilities of Directors and Auditors**

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.


**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st October 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Watts Knowles**  
**Chartered Accountants and Registered Auditors**  
121/123 Norton Way South  
Letchworth  
Herts  
SG6 1NZ

Date: 1st June 1999

**ARMCO LIMITED****PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31ST OCTOBER 1998

	Notes	1998 £	1997 £
<b>Turnover</b>	2	<b>2,692,977</b>	2,182,044
Cost of sales		<u>2,188,806</u>	<u>1,755,583</u>
<b>Gross Profit</b>		<b>504,171</b>	426,461
Administrative expenses		<u>437,583</u>	<u>437,074</u>
		<b>66,588</b>	(10,613)
Other operating income		<u>106,084</u>	<u>81,035</u>
<b>Operating Profit</b>	3	<b>172,672</b>	70,422
Interest receivable		7,709	8,337
Interest payable and similar charges		<u>(4,209)</u>	<u>(3,176)</u>
<b>Profit on Ordinary Activities before Taxation</b>		<b>176,172</b>	75,583
Tax on profit on ordinary activities	6	<u>60,630</u>	<u>26,987</u>
<b>Profit for the Financial Year</b>	12	<u><b>115,542</b></u>	<u>48,596</u>

*The notes on pages 6 to 9 form part of these accounts.*

**ARMCO LIMITED**

**BALANCE SHEET**

AS AT 31ST OCTOBER 1998

	Notes	£	1998 £	£	1997 £
<b>Fixed Assets</b>					
Tangible assets	7		-		5,224
<b>Current Assets</b>					
Stocks		532,551		634,552	
Debtors	8	824,776		535,707	
Cash at bank and in hand		394,531		250,981	
		<u>1,751,858</u>		<u>1,421,240</u>	
<b>Creditors: Amounts Falling Due Within One Year</b>	9	<u>1,173,882</u>		<u>464,031</u>	
<b>Net Current Assets</b>			<u>577,976</u>		<u>957,209</u>
<b>Total Assets Less Current Liabilities</b>			<u>577,976</u>		<u>962,433</u>
<b>Capital and Reserves</b>					
Share capital	11		455,000		455,000
Profit and loss account	12		122,976		507,433
<b>Shareholders' Funds</b>			<u>577,976</u>		<u>962,433</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

These accounts were approved by the board on 26th May 1999 and signed on its behalf.



B D Green  
Director

# ARMCO LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1998

### 1 Accounting Policies

#### Basis of Accounting

The Accounts have been prepared under the historical cost convention.

#### Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax and trade discounts.

#### Stocks

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

#### Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

#### Contribution to Pension Funds

The pension costs charged against profits represent the amount of the contributions payable to the defined benefit scheme in respect of the accounting period.

### 2 Turnover

The geographical analysis of turnover is as follows:

	1998 £	1997 £
Europe	265,248	392,075
Far East	264,876	-
United Kingdom	2,162,853	1,789,969
	<u>2,692,977</u>	<u>2,182,044</u>

### 3 Operating Profit

*The operating profit is stated after charging:*

	1998 £	1997 £
Depreciation of tangible fixed assets	5,224	5,226
Auditors' remuneration	8,000	7,500
	<u>13,224</u>	<u>12,726</u>

### 4 Directors

	1998 £	1997 £
Directors' remuneration (including pension contributions of £7,555)	<u>99,963</u>	<u>88,358</u>



## ARMCO LIMITED

### NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1998

#### 5 Pension Scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 6th April 1996 and those results are reported in this note.

The assumptions which have the most significant effect on the results of 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 returns would be 9% per annum compound, that salary increases would average 7% per annum for general salary increases plus 0.5% per annum for promotional increases and future pensions would increase at the rate of 3% per annum.

The valuation showed that the market value of the schemes assets was £938,874 and that the actuarial value of those assets represented 115% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The method and assumptions used in calculating contribution rates to the scheme are identical to those used for calculating the accounting cost. Consequently, no prepayment or provision in the balance sheet on account of pensions is required.

The total contributions paid in the year amounted to £30,747 (1997 £6,118).

#### 6 Taxation

	1998 £	1997 £
Based on the profit for the year:		
UK corporation tax at 31% (1997 31.83%)	61,550	27,000
Overprovision in prior periods	(920)	(13)
	<u>60,630</u>	<u>26,987</u>

#### 7 Tangible Fixed Assets

	Plant and machinery £	Total £
<b>Cost</b>		
At 1st November 1997	32,357	32,357
<b>At 31st October 1998</b>	<u>32,357</u>	<u>32,357</u>
<b>Depreciation</b>		
At 1st November 1997	27,133	27,133
Charge for the year	5,224	5,224
<b>At 31st October 1998</b>	<u>32,357</u>	<u>32,357</u>
<b>Net Book Value</b>		
<b>At 31st October 1998</b>	<u>-</u>	<u>-</u>
<i>At 31st October 1997</i>	<u>5,224</u>	<u>5,224</u>

**ARMCO LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 1998**

<b>8</b>	<b>Debtors</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Trade debtors	<b>775,154</b>	<b>473,878</b>
	Amounts owed by group undertakings	<b>35,089</b>	<b>17,037</b>
	Other debtors	<b>14,533</b>	<b>44,792</b>
		<b>824,776</b>	<b>535,707</b>

<b>9</b>	<b>Creditors: Amounts Falling Due Within One Year</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Trade creditors	<b>46,316</b>	<b>40,325</b>
	Amounts owed to group undertakings	<b>901,169</b>	<b>307,978</b>
	Other creditors	<b>226,397</b>	<b>115,728</b>
		<b>1,173,882</b>	<b>464,031</b>

'Other creditors' include £173,147 (1997 £90,057) in respect of taxation and social security.

**10 Operating Lease Commitments**

At 31 October 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within one year	<b>5,586</b>	<b>4,112</b>
Between two and five years	<b>9,080</b>	<b>12,591</b>
	<b>14,666</b>	<b>16,703</b>

<b>11</b>	<b>Share Capital</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	500,000 Ordinary shares of £1.00 each	<b>500,000</b>	<b>500,000</b>
	<b>Allotted</b>		
	455,000 Allotted, called up and fully paid ordinary shares of £1.00 each	<b>455,000</b>	<b>455,000</b>

# ARMCO LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1998

### 12 Reserves

	Profit and Loss Account
	£
At 1st November 1996	542,233
Profit for the year	48,596
Dividends	(83,396)
At 1st November 1997	507,434
Profit for the year	115,542
Dividends	(500,000)
At 31st October 1998	<u>122,976</u>

### 13 Post Balance Sheet Events

The directors declared a dividend of £100,000 on 4th February 1999.

### 14 Related Parties

The company's ultimate parent undertaking is Armco Inc, a company incorporated in the United States of America. It has included the company in its group accounts, copies of which are available from its principal office at One Oxford Centre, 301 Grant Street, Pittsburgh, PA 15219-1415, United States of America.

The legal interest in the shares representing the capital of the company was transferred from Armco Inc to one of its indirect subsidiaries, Armco Europe Limited on the 4th August 1998. The accounts of Armco Europe Limited are available from its registered office at 18A South Road, Haywards Heath, West Sussex RH16 4LA.

Amounts owed by and to group companies are shown in notes 8 and 9 respectively. Included in amounts owed to group companies is a loan for £350,000 with no set repayment date. Interest is currently charged at 10% per annum.

During the year Armco Limited invoiced to those companies goods to the value of £122,103 and was invoiced for goods and services to a value of £1,794,558. All transactions were carried out on normal commercial terms.