

12/1971

Report and Accounts

Steelhouse Metals Limited

31 December 1997



Steelhouse Metals Limited

Registered No 1211971

DIRECTORS

P C Nix (Chairman)

J G Burns

V J Glover

SECRETARY

J G Burns

AUDITORS

Ernst & Young

City Gate

Toll House Hill

Nottingham

NG1 5FY

PRINCIPAL BANKERS

Lloyds Bank plc

Fountain Square

Hanley

Stoke on Trent

ST1 1LE

SOLICITORS

Rees, Jones, Hunbach & Phoenix

6-10 Bagnall Street

Hanley

Stoke on Trent

SG1 3AG

REGISTERED OFFICE

Radnor Park Industrial Estate

Congleton

Cheshire

CW12 4XE

Steelhouse Metals Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £431 (1996 - loss of £114,608). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is retailing of metals.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and their interests in the company's share capital at the beginning and at the end of the year are given below:

		<i>Ordinary shares of £1 each</i>	
		<i>1997</i>	<i>1996</i>
P C Nix		1	1
J G Burns		-	-
D Jervis	(resigned 23 June 1997)	-	-
V J Glover	(appointed 23 June 1997)	-	-

The interests of the directors in the parent undertaking are shown in its accounts.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer systems is not anticipated to be material. All costs relating to modifications will be expensed as incurred and those costs relating to enhancement will be capitalised.

Steelhouse Metals Limited

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

Secretary



Date

2/9/98

Steelhouse Metals Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

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 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.

REPORT OF THE AUDITORS
to the members of Steelhouse Metals Limited

We have audited the accounts on pages 7 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 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 to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 the 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 information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
Nottingham

Date *2 September 1998*

Steelhouse Metals Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	611,795	1,413,471
Cost of sales		(519,498)	(1,512,811)
GROSS PROFIT		92,297	(99,340)
Distribution costs and administrative expenses		(74,587)	(80,830)
OPERATING PROFIT/(LOSS)	3	17,710	(180,170)
Interest payable	4	(17,179)	(16,475)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		531	(196,645)
Tax on profit/(loss) on ordinary activities	6	(100)	82,037
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	431	(114,608)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There is no difference between the retained profit for the financial year, as shown in the profit and loss account, and total recognised gains and losses relating to the year.

Steelhouse Metals Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	25,525	33,127
CURRENT ASSETS			
Stocks	8	74,743	46,865
Debtors	9	219,274	338,411
Cash at bank and in hand		3,512	795
		297,529	386,071
CREDITORS: amounts falling due within one year	10	(430,861)	(527,436)
NET CURRENT LIABILITIES		(133,332)	(141,365)
TOTAL ASSETS LESS CURRENT LIABILITIES		(107,807)	(108,238)
CAPITAL AND RESERVES			
Called up equity share capital	12	100	100
Profit and loss account	13	(107,907)	(108,338)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	(107,807)	(108,238)

Approved by the Board



Director

Date

2/9/98

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives. The following rates have been used:

Plant and machinery	-	10% straight line
Motor vehicles	-	25% reducing balance

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling at the balance sheet date or if appropriate the forward contract rate. Exchange differences are taken to the profit and loss account.

Pensions

For the company's defined contribution pension schemes, contributions are charged to the profit and loss account in the year in respect of which they become payable.

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover, which relates entirely to the UK, is attributable to one continuing activity, the retailing of metals.

Turnover includes sales to group undertakings of £163,318 (1996 - £830,747).

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	1997 £	1996 £
Staff costs:		
Wages and salaries	23,616	31,037
Depreciation of owned tangible fixed assets	7,602	8,508
Auditors' remuneration for audit services	2,000	2,500
Auditors' remuneration for other services	-	2,000
Operating leases - property	10,500	10,956
Management charge	42,000	42,000
	No	No
Average number of employees	3	3

4. INTEREST PAYABLE

	1997 £	1996 £
Bank overdraft interest payable	14	33
Group interest	17,165	16,442
	17,179	16,475

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

5. DIRECTORS' EMOLUMENTS

	1997	1996
	£	£
Emoluments	28,206	40,119
Company contributions paid to defined contribution scheme	2,223	4,150
	<u>30,429</u>	<u>44,269</u>

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1997	1996
	£	£
Current year:		
UK corporation tax	709	(3,480)
Amount credited in respect of current year group relief	-	(51,147)
Deferred tax (note 11)	-	(1,709)
	<u>709</u>	<u>(56,336)</u>
Adjustment relating to prior years:		
Corporation tax	-	980
Group relief	100	(26,681)
Losses brought forward	(709)	-
	<u>100</u>	<u>(82,037)</u>

Losses for taxation purposes, available for set off against future trading profits at the corporation tax rate then in force, amount to approximately £21,000 (1996 - £23,000).

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

7. TANGIBLE ASSETS

	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
Cost at 1 January 1997 and 31 December 1997	35,655	32,090	67,745
Depreciation:			
At 1 January 1997	11,251	23,367	34,618
Charge for the year	4,978	2,624	7,602
At 31 December 1997	16,229	25,991	42,220
Net book amount:			
At 31 December 1997	19,426	6,099	25,525
At 1 January 1997	24,404	8,723	33,127

8. STOCKS

	<i>1997</i>	<i>1996</i>
	£	£
Raw materials and consumables	74,743	46,865

In the opinion of the directors there is no material difference between the replacement cost of stocks and the amounts stated above.

9. DEBTORS

	<i>1997</i>	<i>1996</i>
	£	£
Trade debtors	88,682	88,090
Amounts owed by group undertakings	45,966	166,124
Prepayments and accrued income	3,418	2,700
Corporation tax recoverable	3,480	3,669
Amounts receivable in respect of group relief	77,728	77,828
	219,274	338,411

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	-	65,073
Trade creditors	193,083	238,342
Amounts owed to group undertakings	226,532	204,519
Other taxation and social security costs	7,945	15,489
Accruals and deferred income	3,301	4,013
	<u>430,861</u>	<u>527,436</u>

The bank overdraft is secured by a debenture on the undertaking and assets of the company and a reciprocal guarantee between the company, its holding company and a fellow subsidiary undertaking. Hire purchase and finance lease liabilities are secured on the related assets.

11. PROVISION FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Deferred taxation:		
At 1 January 1997	-	1,709
Charge for the year (note 6)	-	(1,709)
	<u>-</u>	<u>-</u>
At 31 December 1997	-	-

	1997 £	Provided 1996 £	1997 £	Not provided 1996 £
Accelerated of capital allowances	1,556	1,909	-	-
Less: taxation losses	(1,556)	(1,909)	(4,965)	(4,506)
	<u>-</u>	<u>-</u>	<u>(4,965)</u>	<u>(4,506)</u>

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

12. CALLED UP EQUITY SHARE CAPITAL

	1997 £	1996 £
Authorised:		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted and fully paid:		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1996	100	6,270	6,370
Loss for the year	-	(114,608)	(114,608)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1996	100	(108,338)	(108,238)
Profit for the year	-	431	431
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1997	100	(107,907)	(107,807)
	<u> </u>	<u> </u>	<u> </u>

14. OPERATING LEASE COMMITMENTS

At the year end the company had commitments to make the following payments during the next year under operating leases which expire:

	Property £	Equipment and vehicles £
Between one and five years	10,500	10,500
	<u> </u>	<u> </u>

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1997

15. CONTINGENT LIABILITIES

The company has given guarantees in respect of the bank overdraft of other group companies which at 31 December 1997 amounted to £ 732,909 (1996 - £499,706) and in respect of short term loan agreements secured on debtors of £3,420,394 (1996 - £4,126,656).

16. RELATED PARTIES

The company is taking advantage of the exemption in Financial Reporting Standard No. 8, not to disclose transactions with other group companies on the grounds that it is a 99% owned subsidiary undertaking of FE Mottram Limited, for which consolidated group accounts are prepared.

The company occupies buildings owned by the personal pension plan of one of the directors, Mr P C Nix. Annual rentals for the buildings of £10,500 are paid to the pension plan.

17. ULTIMATE PARENT COMPANY

The company's ultimate parent company is FE Mottram Limited, a company registered in England. A copy of the group accounts can be obtained from the Secretary, FE Mottram Limited, Radnor Park Industrial Estate, Congleton, Cheshire CW12 4XE