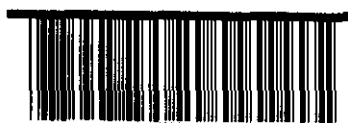


Report and Accounts

Steelhouse Metals Limited

31 December 1999



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28/10/00

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 West

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 1999.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £11,649 (1998 - £31,220) 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>1999</i>	<i>1998</i>
P C Nix	1	1
J G Burns	-	-
V J Glover	-	-

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

YEAR 2000

Prior to 31 December 1999, steps were taken to review computer and date dependent systems critical to the company's ongoing operations and preparation of financial information to establish the impact, if any, which the Year 2000 might have on the accuracy of their calculations, processing and reporting. Although it is not possible to guarantee that no Year 2000 problems remain, the company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruption has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

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



J G Burns
Secretary

Date

6/10/00

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 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 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 accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 judgments 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Nottingham

Date *5 October 2000*

Steelhouse Metals Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	<i>Notes</i>	<i>1999</i> £	<i>1998</i> £
TURNOVER	2	2,095,404	854,681
Cost of sales		(1,934,412)	(790,108)
GROSS PROFIT		160,992	64,573
Distribution costs and administrative expenses		(153,870)	(98,417)
OPERATING PROFIT/(LOSS)	3	7,122	(33,844)
Net interest payable	4	(18,771)	(17,046)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,649)	(50,890)
Tax on loss on ordinary activities	6	-	19,670
RETAINED LOSS FOR THE FINANCIAL YEAR	13	(11,649)	(31,220)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

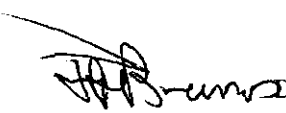
Steelhouse Metals Limited

BALANCE SHEET at 31 December 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	27,178	18,734
CURRENT ASSETS			
Stocks	8	217,705	115,739
Debtors	9	542,743	170,999
Cash at bank and in hand		1,291	788
		<u>761,739</u>	<u>287,526</u>
CREDITORS: amounts falling due within one year	10	(939,593)	(445,287)
NET CURRENT LIABILITIES		<u>(177,854)</u>	<u>(157,761)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(150,676)</u>	<u>(139,027)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	-
		<u>(150,676)</u>	<u>139,027</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	(150,776)	(139,127)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	<u>(150,676)</u>	<u>(139,027)</u>

Approved by the Board

PC Nix  (Chairman)

 Director

Date 5/10/00

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

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.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

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 £404,694 (1998 - £258,137).

3. OPERATING (LOSS)/PROFIT

This is stated after charging:

	1999 £	1998 £
Staff costs:		
Wages and salaries	30,293	23,692
Social security costs	3,096	2,467
Other pension costs	816	840
	<u> </u>	<u> </u>
Depreciation of owned tangible fixed assets	5,255	6,791
Auditors' remuneration for audit services	2,000	5,000
Auditors' remuneration for other services	1,500	1,000
Operating leases - property	-	10,500
Management charge	70,600	50,250
	<u> </u>	<u> </u>
	No	No
Average number of employees	4	3
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	1999 £	1998 £
Bank overdraft interest payable	1,704	47
Group interest	17,067	17,185
Interest received	-	(186)
	<u> </u>	<u> </u>
	18,771	17,046
	<u> </u>	<u> </u>

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

5. DIRECTORS' EMOLUMENTS

	1999	1998
	£	£
Emoluments	-	12,429
Company contributions paid to defined contribution scheme	-	1,488
	<u>-</u>	<u>13,917</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999	1998
	£	£
Current year:		
UK corporation tax	-	-
Amount credited in respect of current year group relief	-	(14,264)
Adjustment relating to prior years:		
Group relief	-	(5,406)
Losses brought forward	-	-
	<u>-</u>	<u>(19,670)</u>

Losses for taxation purposes, available for set off against future trading profits at the corporation tax rate then in force, amount to approximately £8,000 (1998 - £4,000). Group relief is payable at the group tax rate.

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

7. TANGIBLE ASSETS

	<i>Fixtures and fittings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 1999	-	35,655	32,090	67,745
Additions	399	16,750	1,800	18,949
Disposals	-	(13,000)	-	(13,000)
At 31 December 1999	399	39,405	33,890	73,694
Depreciation:				
At 1 January 1999	-	21,200	27,811	49,011
Charge for the year	57	4,444	1,453	5,954
Disposals	-	(8,449)	-	(8,449)
At 31 December 1999	57	17,195	29,264	46,516
Net book amount:				
At 31 December 1999	342	22,210	4,626	27,178
At 1 January 1999	-	14,455	4,279	18,734

8. STOCKS

	<i>1999</i>	<i>1998</i>
	£	£
Raw materials and consumables	217,705	115,739

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

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

9. DEBTORS

	1999	1998
	£	£
Trade debtors	503,646	138,446
Amounts owed by group undertakings	26,473	-
Prepayments and accrued income	2,414	3,205
Others debtors	10,210	9,678
Amounts receivable in respect of group relief	-	19,670
	<u>542,743</u>	<u>170,999</u>

10. CREDITORS: amounts falling due within one year

	1999	1998
	£	£
Bank overdraft	46,087	2,512
Trade creditors	470,618	240,942
Amounts owed to group undertakings	117,875	196,733
Accruals and deferred income	15,663	5,100
Other creditors	289,150	-
	<u>939,393</u>	<u>445,287</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.

Trade creditors include an amount of £332,353 (1998 - £nil) due to the company's factoring agent which is secured by a fixed charge on all the debts of the company.

11. DEFERRED TAXATION

	<i>Provided</i>		<i>Not provided</i>	
	1999	1998	1999	1998
	£	£	£	£
Acceleration of capital allowances	311	1,007	-	-
Less: taxation losses	(311)	(1,007)	(2,333)	(154)
	<u>-</u>	<u>-</u>	<u>(2,333)</u>	<u>(154)</u>

Steelhouse Metals Limited

NOTES TO THE ACCOUNTS at 31 December 1999

12. EQUITY SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
Ordinary shares of £1 each	100	100

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1998	100	(107,907)	(107,807)
Loss for the year	-	(31,220)	(31,220)
At 31 December 1998	100	(139,127)	(139,027)
Loss for the year	-	(11,649)	(11,649)
At 31 December 1999	100	(150,776)	(150,676)

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:

	Land and buildings 1999 £	1998 £
Between one and five years	10,500	10,500

15. CONTINGENT LIABILITIES

The company has given guarantees in respect of the bank overdraft of other group companies which at 31 December 1999 amounted to £833,288 (1998 - £331,702) and in respect of short term loan agreements secured on debtors of £5,154,443 (1998 - £3,510,332).

NOTES TO THE ACCOUNTS

at 31 December 1999

16. PENSION COMMITMENTS

The company operates various pension schemes, the assets of which are held in separately administered funds. The profit and loss account charge for pension costs is made in accordance with the accounting policy in Note 1.

The schemes are all defined contribution arrangements. The net pension cost charged to the profit and loss account during the year in respect of defined contribution schemes was £816 (1998: £2,328).

17. 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.

18. 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