

STEELHOUSE METALS LIMITED

Report and Financial Statements

31 December 2001

124971



Steelhouse Metals Limited

Registered No 1211971

DIRECTORS

P C Nix (Chairman)

J G Burns

V J Glover

SECRETARY

J G Burns

AUDITORS

Ernst & Young LLP

City Gate West

Toll House Hill

Nottingham

NG1 5FY

PRINCIPAL BANKERS

Barclays Bank Plc

PO Box 228

1 Mosley Street

Manchester

M60 3DQ

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 financial statements for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £89,088 (2000: profit £24,683). 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>2001</i>	<i>2000</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.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



J G Burns
Secretary

Date

6/9/02

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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; and
- 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STEELHOUSE METALS LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Nottingham

Date 6/9/02

Steelhouse Metals Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
TURNOVER	2	3,989,904	2,648,263
Cost of sales		(3,882,153)	(2,427,560)
GROSS PROFIT		107,751	220,703
Distribution costs and administrative expenses		(193,460)	(167,607)
OPERATING (LOSS)/PROFIT	3	(85,709)	53,096
Net interest payable	5	(21,222)	(21,867)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(106,931)	31,229
Tax on (loss)/profit on ordinary activities	6	(17,843)	6,546
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	(89,088)	24,683

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 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	58,075	46,874
CURRENT ASSETS			
Stocks	8	149,517	188,114
Debtors	9	732,371	552,592
Cash at bank and in hand		3,719	2,802
		885,607	743,508
CREDITORS: amounts falling due within one year	10	(906,658)	(915,692)
NET CURRENT LIABILITIES		(21,051)	(172,184)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,024	(125,310)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(2,105)	(683)
		34,919	(125,993)
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Capital contribution	13	250,000	-
Profit and loss account	13	(215,181)	(126,093)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	34,919	(125,993)

Approved by the Board

PC Nix

(Chairman)

J G Burns

(Director)

Date

6/9/02

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

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

Going concern

The company is dependent on continuing finance being made available by its parent company to enable it to meet its liabilities as they fall due.

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:

Leasehold improvements	-	4% straight line
Plant and machinery	-	10% straight line
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	10-20% straight line

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 FINANCIAL STATEMENTS at 31 December 2001

1. ACCOUNTING POLICIES (Continued)

Leasing commitments

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

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the retailing of metals.

An analysis of the destination of turnover by geographical market is given below:

	2001 £	2000 £
United Kingdom	3,938,134	2,483,401
USA	51,770	164,862
	<u>3,989,904</u>	<u>2,648,263</u>

Turnover includes sales to group undertakings of £450,763 (2000: £548,124).

3. OPERATING (LOSS)/PROFIT

This is stated after charging:

	2001 £	2000 £
Staff costs:		
Wages and salaries	62,480	32,625
Social security costs	6,998	3,263
Other pension costs	5,300	816
	<u>74,778</u>	<u>36,704</u>
Depreciation of owned tangible fixed assets	11,523	8,780
Auditors' remuneration - audit services	2,000	2,000
- other services	1,000	1,000
Operating leases - property	10,500	10,500
Inter-group management charge	100,734	68,400
	<u></u>	<u></u>
	No	No
Average number of employees	5	5

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

4. DIRECTORS' EMOLUMENTS

The directors do not receive remuneration from the company

5. INTEREST PAYABLE

	2001	2000
	£	£
Bank overdrafts and short term advances	20,078	14,703
Group interest	1,144	7,164
	<u>21,222</u>	<u>21,867</u>

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

	2001	2000
	£	£
Current year:		
UK corporation tax 30% (2000 : 30%)	(19,265)	5,863
Deferred tax (note 11)	1,422	683
	<u>(17,843)</u>	<u>6,546</u>

There are no losses for taxation purposes, available for set off against future trading profits. Group relief is payable at the group tax rate.

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

7. TANGIBLE ASSETS

	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 January 2001	6,505	399	48,510	27,774	83,188
Additions	6,585	579	15,560	-	22,724
At 31 December 2001	13,090	978	64,070	27,774	105,912
Depreciation:					
At 1 January 2001	-	137	22,079	14,098	36,314
Charge for the year	524	195	6,612	4,192	11,523
At 31 December 2001	524	332	28,691	18,290	47,837
Net book amount:					
At 31 December 2001	12,566	646	35,379	9,484	58,075
At 1 January 2001	6,505	262	26,431	13,676	46,874

8. STOCKS

	2001	2000
	£	£
Raw materials and consumables	149,517	188,114

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

9. DEBTORS

	2001	2000
	£	£
Trade debtors	661,949	527,299
Amounts owed by group undertakings	58,830	19,759
Prepayments and accrued income	5,019	3,897
Corporation tax recoverable	5,863	-
Others debtors	710	1,637
	732,371	552,592

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

10. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	18,518	27,275
Trade creditors	538,718	483,478
Amounts owed to group undertakings	185,064	295,624
Corporation tax	-	5,863
Other taxes and social security	2,031	13,880
Accruals and deferred income	10,808	3,947
Other short term advances	151,519	85,625
	<u>906,658</u>	<u>915,692</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.

Other short term advances represent the amount due to the company's factoring agent which is secured by a fixed charge on all the debts of the company.

11. PROVISION FOR LIABILITIES AND CHARGES

	£
Deferred taxation:	
At 1 January 2001	683
Profit and loss account (note 6)	1,422
	<u>2,105</u>
At 31 December 2001	<u>2,105</u>

	2001	Provided 2000	Not provided 2001	2000
	£	£	£	£
Acceleration of capital allowances	2,105	683	-	-
Less: taxation losses	-	-	-	-
	<u>2,105</u>	<u>683</u>	<u>-</u>	<u>-</u>

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

12. EQUITY SHARE CAPITAL

	2001	2000
	£	£
Authorised, called up, allotted and fully paid		
Ordinary shares of £1 each	100	100

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Capital contribution £	Profit and loss account £	Total £
At 1 January 2000	100	-	(150,776)	(150,676)
Profit for the year	-	-	24,683	24,683
At 31 December 2000	100	-	(126,093)	(125,993)
Loss for the year	-	-	(89,088)	(89,088)
Capital contribution	-	250,000	-	250,000
At 31 December 2001	100	250,000	(215,181)	34,919

The capital contribution represents a loan of £250,000 from the parent company which was converted into a contribution in the year.

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:

	2001	Property 2000
	£	£
Within two to 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 2001 amounted to £8,744 (2000: £46,487) and in respect of short term loan agreements secured on debtors of £2,321,579 (2000: £4,124,405).

Steelhouse Metals Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

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 £5,300 (2000: £816).

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 financial statements are prepared.

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

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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