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FIRSTEEL MANUFACTURING LIMITED

GROUP

REPORT AND ACCOUNTS

1986

COMPANIES REGISTRATION

23 SEP 1987

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OFFICE

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FIRSTEEL MANUFACTURING LIMITED  
GROUP  
REPORT AND ACCOUNTS  
1986

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FIRSTEEL MANUFACTURING LIMITED

DIRECTORS AND OFFICERS

Directors

H. J. Nash            - Chairman  
T. L. Adams  
H. H. Jones  
A. R. Macefield  
N. J. Oseland  
J. V. Palmer  
J. B. Smith

Secretary

N. J. Oseland

Auditors

Peat, Marwick, Mitchell & Co., Chartered Accountants,  
The Fountain Precinct, 1 Balm Green, Sheffield S1 3AF

Bankers

Barclays Bank Plc, 47 High Street, Dudley, West Midlands DY1 1PP  
The Hong Kong and Shanghai Banking Corporation, Cloth Hall Court, Infirmary  
Street, Leeds, LS1 2HR

Registered office

Brockhurst Crescent, Bescot, Walsall WS5 4AX

FIRSTEEL MANUFACTURING LIMITED  
REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 30th September 1986.

Results

The consolidated profit and loss account shows a profit for the year attributable to shareholders of £2,164,903. A dividend of £1,050,000 has been paid and the balance of £1,114,903 will be transferred to reserves.

Business review

The principal activities of the group consist of the manufacture of cold rolled steel strip, cold rolled formed sections, precoated aluminium and steel strip, steel stockholding, fabricating and shearing and distribution of aluminium sections.

In accordance with the group's policy of expansion, Firststeel Limited acquired the cold rolling operation of Bromford Iron & Steel Limited on 2nd May 1986.

Group turnover and profits again showed an improvement over last year. Other than this there have been no significant changes, so that the year has generally been one of consolidation and improved efficiencies.

Fixed assets

The movements in fixed assets during the year are shown in notes 11 and 12.

Directors

The directors during the year were:

H. J. Nash	- Chairman
T. L. Adams	
H. H. Jones	
A. R. Macefield	
N. J. Oseland	- Appointed 1st April 1986
J. V. Palmer	
W. M. Sheldon	- Resigned 31st March 1986
J. B. Smith	

Directors' interests

At 30th September 1986, Mr. H. J. Nash and Mr. T. L. Adams were directors of the company's immediate holding company, Firststeel Group Limited. Their share interests are shown in the directors' report of that company.

FIRSTEEL MANUFACTURING LIMITED

REPORT OF THE DIRECTORS  
(continued)

Directors' interests (continued)

The other directors who held office at 30th September 1986 had the following interests in the shares of Lonrho Plc group companies:

	<u>Ordinary shares in Lonrho Plc</u>		<u>30th September 1985</u>	
	<u>30th September 1986</u>		<u>or date of appointment</u>	
	<u>Fully paid</u>	<u>Option</u>	<u>Fully paid</u>	<u>Option</u>
H. H. Jones	-	9,150	-	6,500
A. R. Macefield	275	9,951	-	8,500
N. J. Oseland	-	10,485	-	3,000
J. V. Palmer	2,475	9,150	-	11,500
J. B. Smith	1,100	14,468	-	13,835

Employment of disabled persons

The group gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities, and wherever possible the group continues the employment of, and arranges for the appropriate training for, employees who become disabled persons while employed by the group. Disabled persons are treated no differently from other employees as regards training, career development and promotion opportunities. This policy was operated by the group, where appropriate, throughout the year.

Employee involvement

The group has maintained its arrangements by way of discussion meetings and the distribution of information annually and periodically, as relevant, aimed at promoting the co-operation and involvement of its employees in the future of the business.

Auditors

In accordance with section 384(1) of the Companies Act 1985, a resolution proposing the re-appointment of Peat, Marwick, Mitchell & Co. as auditors to the company will be put to the annual general meeting.

By order of the board

N. J. OSELAND

Secretary



Brockhurst Crescent,  
Bescot,  
Walsall,  
WS5 4AX

23rd December 1986

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REPORT OF THE AUDITORS TO THE MEMBERS OF

FIRSTEEL MANUFACTURING LIMITED

We have audited the accounts on pages 5 to 19 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared in accordance with the accounting policies set out on page 9, give a true and fair view of the state of the affairs of the company and of the group at 30th September 1986 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Act 1985.

*Paul J. Smith & Co.*  
Chartered Accountants

Sheffield  
23rd December 1986

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER 1986

	<u>Note</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	2	48,566,053	44,204,143
Cost of sales		(42,116,926)	(38,131,694)
GROSS PROFIT		6,449,127	6,072,449
Distribution costs and administrative expenses	3	(3,659,723)	(3,469,163)
		2,789,404	2,603,286
Other operating income	4	62,578	53,962
OPERATING PROFIT		2,851,982	2,657,248
Income from fixed asset investments		5,203	-
Interest receivable	5	20,374	-
Interest payable	6	(692,054)	(527,748)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	2,185,505	2,129,500
Taxation on profit on ordinary activities	10	(20,602)	(17,158)
PROFIT FOR THE FINANCIAL YEAR		2,164,903	2,112,342
Dividends paid		(1,050,000)	(1,050,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	1,114,903 =====	1,062,342 =====

The notes on pages 9 to 19 form part  
of these accounts

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AT 30th SEPTEMBER 1986

	<u>Note</u>	<u>1986</u> £	<u>1985</u> £
<b>FIXED ASSETS</b>			
Tangible assets	11	3,916,366	3,119,803
Investments	12	<u>1</u>	<u>1</u>
		3,916,367	3,119,804
<b>CURRENT ASSETS</b>			
Stocks	13	8,397,945	6,777,687
Debtors	14	11,098,328	9,384,149
Cash at bank and in hand		<u>5,522</u>	<u>5,271</u>
		19,501,795	16,167,107
<b>CREDITORS:</b>			
Amounts falling due within one year	15	(16,403,583)	(13,428,451)
<b>NET CURRENT ASSETS</b>		3,098,212	2,738,656
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,014,579	5,858,460
<b>CREDITORS:</b>			
Amounts falling due after more than one year	15	(448,920)	(427,005)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>(51,738)</u>	<u>(32,437)</u>
<b>NET ASSETS</b>		6,513,921 =====	5,399,018 =====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	454,874	454,874
Share premium account		11,697	11,697
Capital reserve arising on consolidation		5,149	5,149
Profit and loss account	18	<u>6,042,201</u>	<u>4,927,298</u>
		6,513,921 =====	5,399,018 =====

Approved by the board of directors on 23rd December 1986

H. J. NASH            )  
                               )  
                               ) Directors  
 N. J. OSELAND        )

*Signature*  
*Signature*

The notes on pages 9 to 19 form part  
of these accounts



FIRSTEEL MANUFACTURING LIMITED  
BALANCE SHEET AT 30th SEPTEMBER 1986

	<u>Note</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
FIXED ASSETS			
Tangible assets	11	17,095	19,902
Investments	12	<u>5,542,060</u>	<u>5,541,960</u>
		5,559,155	5,561,862
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	14	1,644,760	858,700
Cash at bank and in hand		<u>494</u>	<u>95</u>
		1,645,254	858,795
		<hr/>	<hr/>
CREDITORS:			
Amounts falling due within one year	15	<u>(3,922,117)</u>	<u>(2,763,902)</u>
		<hr/>	<hr/>
NET CURRENT LIABILITIES		<u>(2,276,863)</u>	<u>(1,905,107)</u>
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,282,292	3,656,755
CREDITORS:			
Amounts falling due after more than one year	15	<u>(5,800)</u>	<u>(337,099)</u>
NET ASSETS		<u>3,276,492</u> =====	<u>3,319,656</u> =====
 CAPITAL AND RESERVES			
Called up share capital	17	454,874	454,874
Share premium account		11,697	11,697
Profit and loss account	18	<u>2,809,921</u>	<u>2,853,085</u>
		3,276,492	3,319,656
		<hr/>	<hr/>

Approved by the Board of directors on 23rd December 1986

H. J. NASH                    )  
                                  ) Directors  
N. J. OSELAND                )

*[Handwritten signatures]*

The notes on pages 9 to 19 form part  
of these accounts

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30th SEPTEMBER 1986

	<u>1986</u> £	<u>1985</u> £
<u>SOURCE OF FUNDS</u>		
Profit on ordinary activities before taxation	2,185,505	2,129,500
Adjustments for items not involving the movement of funds:		
Depreciation	542,342	516,689
Profit on sales of tangible fixed assets	<u>(5,368)</u>	<u>(17,366)</u>
Funds generated from operations	2,722,479	2,628,823
Funds from other sources:		
Proceeds from sales of tangible fixed assets	44,840	47,725
Increase in creditors: Amounts falling due after more than one year	<u>21,915</u>	<u>19,833*</u>
	<u>2,789,234</u>	<u>2,696,381</u>
<u>APPLICATION OF FUNDS</u>		
Purchases of tangible fixed assets	(1,378,377)	(578,220)
Dividends paid	(1,050,000)	(1,050,000)
Overseas taxation paid	<u>(1,301)</u>	<u>-</u>
	<u>(2,429,678)</u>	<u>(1,628,220)</u>
<u>INCREASE IN WORKING CAPITAL</u>	<u>359,556</u> =====	<u>1,068,161</u> =====
<u>COMPONENTS OF INCREASE IN WORKING CAPITAL</u>		
Stocks	1,620,258	1,344,645
Debtors	1,714,179	1,831,465
Creditors: Amounts falling due within one year*	541,468	(1,611,056)
Movements in net liquid funds:		
Bank overdrafts	(3,516,600)	(496,741)
Cash at bank and in hand	<u>251</u>	<u>(152)</u>
	<u>359,556</u> =====	<u>1,068,161</u> =====

\* After adjusting for £1,476,784 reallocation of holding company loan from creditors falling due after more than one year to creditors falling due within one year.

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts are prepared under the historical cost convention, adjusted by the revaluation of certain assets.

(b) Consolidation of group companies

The consolidated accounts include the assets, liabilities and revenue results of the company and its subsidiaries as defined in the Companies Act 1985.

Goodwill or surplus on consolidation, being the difference between the cost of the investment in a subsidiary and the value of its assets at the date of acquisition, is taken to group reserves.

A separate profit and loss account dealing with the results of the company only has not been presented.

The company's principal subsidiaries are shown in note 12.

(c) Depreciation

Depreciation is provided to write off the cost or valuation of fixed assets, at the following annual rates, evenly over their estimated remaining lives:

Freehold buildings	2%
Plant and machinery	12½%
Fixtures, fittings and equipment	12½% - 33%

Short leasehold buildings are amortised by equal annual instalments over the remaining life of the lease.

No depreciation is provided on freehold land and capital work in progress.

Government grants are deducted from the cost of fixed assets.

(d) Stocks

Valuation is at the lower of cost and net realisable value. Where relevant, cost includes an appropriate share of overheads.

(e) Deferred taxation

Deferred taxation is calculated under the liability method and is only provided where there is a reasonable probability that it will become payable within the foreseeable future.

Deferred taxation which is not anticipated to be payable within the foreseeable future is shown as a contingent liability.

(f) Leasing

All leasing payments are charged to profit and loss account in the year in which they fall due.

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
 (continued)

PROFIT AND LOSS ACCOUNT

2. Turnover

Turnover represents sales of goods and services net of discounts, allowances and value added tax.

The analysis of turnover by geographical area is as follows:

	<u>1986</u> £	<u>1985</u> £
United Kingdom	46,682,316	42,429,810
Africa	377,334	444,773
Americas	24,846	9,885
Europe and other	<u>1,481,557</u>	<u>1,319,675</u>
	48,566,053	44,204,143
	=====	=====

All of the above turnover is derived from one class of business, metal processing, and the profit before taxation attributable to this business is shown in the profit and loss account.

3. Distribution costs and administrative expenses

	<u>1986</u> £	<u>1985</u> £
Distribution costs	1,569,600	1,398,040
Administrative expenses	<u>2,090,123</u>	<u>2,071,123</u>
	3,659,723	3,469,163
	=====	=====

4. Other operating income

	<u>1986</u> £	<u>1985</u> £
Rents receivable	62,578	53,962
	=====	=====

5. Interest receivable

	<u>1986</u> £	<u>1985</u> £
Group interest	20,374	--
	=====	=====

6. Interest payable

	<u>1986</u> £	<u>1985</u> £
Bank loans and overdrafts	653,826	512,676
Hire purchase interest	<u>38,228</u>	<u>15,072</u>
	692,054	527,748
	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

PROFIT AND LOSS ACCOUNT (continued)

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Profit on sales of tangible fixed assets	5,368	17,366
	=====	=====
and after charging:		
Depreciation of tangible fixed assets	542,342	516,689
Directors' emoluments (note 8)	193,224	197,179
Finance lease charges	23,150	13,042
Operating lease charges - plant and machinery	1,758	2,677
Operating lease charges - land and buildings	171,907	164,074
Auditors' remuneration	61,500	55,000
Group management charges	175,000	100,000
	=====	=====

8. Directors' emoluments

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Executive remuneration	193,224	173,632
Pension costs	-	23,547
	193,224	197,179
	=====	=====

Executive remuneration includes:

Chairman and highest paid director	43,475	38,990
	=====	=====

The remuneration of the other directors within the following ranges:

£0 - £5,000	1	1
£10,001 - £15,000	2	-
£20,001 - £25,000	-	1
£25,001 - £30,000	1	4
£30,001 - £35,000	3	-

9. Staff numbers and costs

The average number of persons employed by the group during the year was as follows:

	<u>1986</u>	<u>1985</u>
Management, administration and sales	171	183
Production	373	313
	544	496
	===	===

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

PROFIT AND LOSS ACCOUNT (continued)

9. Staff numbers and costs (continued)

The aggregate payroll cost was as follows:

	<u>1986</u>	<u>1985</u>
	£	£
Wages and salaries	4,729,305	3,966,682
Social security costs	406,211	348,493
Other pension costs	<u>10,668</u>	<u>164,810</u>
	5,146,184	4,479,985
	=====	=====

10. Taxation

	<u>1986</u>	<u>1985</u>
	£	£
Deferred taxation	19,301	17,158
Overseas taxation	<u>1,301</u>	<u>-</u>
	20,602	17,158
	=====	=====

No provision for corporation tax on the profits for the year has been made because of losses brought forward and losses surrendered for no consideration by other companies in the Lonrho Plc group. The charge if no losses had been brought forward or surrendered would be increased by £803,000 (1985 - £905,000).

The group has losses for corporation tax purposes of £39,000 (1985 - £240,000) which are available only to reduce corporation tax payable on future profits.

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

BALANCE SHEET

11. Fixed assets - Tangible assets

Group	<u>Freehold land and buildings</u> £	<u>Short leasehold buildings</u> £	<u>Plant and machinery</u> £	<u>Fixtures, fittings and equipment</u> £	<u>Capital work in progress</u> £	<u>Total</u> £
Cost:						
At 1st October 1985	1,664,101	83,961	4,301,390	839,459	9,357	6,898,268
Reclassifications	3,165	-	67,958	(61,766)	(9,357)	-
Additions	35,055	-	1,033,865	289,176	20,281	1,378,377
Disposals	-	-	(45,356)	(127,435)	-	(172,791)
At 30th September 1986	1,702,321	83,961	5,357,857	939,434	20,281	8,103,854
Depreciation:						
At 1st October 1985	173,591	31,355	3,187,253	386,266	-	3,778,465
Reclassifications	-	-	31,777	(31,777)	-	-
Charge for the year	26,811	4,047	341,329	170,155	-	542,342
Disposals	-	-	(37,822)	(95,497)	-	(133,319)
At 30th September 1986	200,402	35,402	3,522,537	429,147	-	4,187,488
Net book amount:						
30th September 1986	<u>1,501,919</u>	<u>48,559</u>	<u>1,835,320</u>	<u>510,287</u>	<u>20,281</u>	<u>3,916,366</u>
30th September 1985	<u>1,490,510</u>	<u>52,606</u>	<u>1,114,137</u>	<u>453,193</u>	<u>9,357</u>	<u>3,119,803</u>

In accordance with the group's accounting policy no depreciation has been provided on the following assets with a book amount of:

	<u>1986</u> £	<u>1985</u> £
Freehold land	332,500	332,500
Capital work in progress	<u>20,281</u>	<u>9,357</u>

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

BALANCE SHEET (continued)

11. Fixed assets - Tangible assets (continued)

<u>Company</u>	<u>Fixtures, fittings and equipment</u> £
Cost:	
At 1st October 1985	67,051
Additions	12,475
Intra group transfers	<u>16,900</u>
	96,426
Disposals	<u>(28,456)</u>
At 30th September 1986	<u>67,970</u>
Depreciation:	
At 1st October 1985	47,149
Charge for the year	12,051
Intra group transfers	<u>16,899</u>
	76,099
Disposals	<u>(25,224)</u>
At 30th September 1986	<u>50,875</u>
Net book amount:	
At 30th September 1986	17,095 =====
At 30th September 1985	19,902 =====

12. Fixed assets - Investments

Group

Listed investments

The group, through a subsidiary company, owns 60,928 ordinary shares of 10 rupees each, representing 7.1% of the equity of Graham Firth Steel Products (India) Limited, a company incorporated in India.

The shares of this company are listed on the Bombay Stock Exchange and at 30th September 1986 the listed value was £96,028 (1985 - £109,125). However, in the opinion of the directors, the investment is of nominal value whilst currency exchange restrictions exist between the United Kingdom and India.



FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

BALANCE SHEET (continued)

11. Fixed assets - Investments (continued)

Company

Shares in subsidiaries

Shares in group companies at cost:	£
At 30th September 1985	5,541,960
Acquired during the year	<u>100</u>
At 30th September 1986	5,542,060
	=====

The company has the following principal subsidiaries at 30th September 1986 all of which are wholly owned and registered in England:

	<u>Nature of business</u>
Church & Bramhall (Stockholders) Limited*	Steel stockholders.
Church & Bramhall (Shearing) Limited*	Fabricators and shearers of steel plate.
Coated Strip Limited	Pre-coating of aluminium and steel strip.
Firsteel Limited	Manufacturers of cold rolled steel strip.
Firsteel Distributors	Fabricators and distributors of aluminium extrusions.
Firsteel Metal Products Limited	Manufacturers of cold rolled formed sections.
P.F. Kitson Steelstock Limited	Steel stockholders.
Viscount Fastenings Limited*	Distributors of industrial fastenings.

\* The interests in these companies are owned by subsidiaries.

13. <u>Stocks</u>	<u>1986</u> £	<u>1985</u> £
<u>Group</u>		
Raw materials and consumables	7,259,302	5,825,014
Work in progress	646,163	443,137
Finished goods and goods for resale	<u>492,480</u>	<u>309,536</u>
	8,397,945	6,777,687
	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
 (continued)

BALANCE SHEET (continued)

14. Debtors

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Trade debtors	10,090,482	8,837,504	-	-
Amounts owed by holding company	465,762	-	465,762	-
Amounts owed by fellow subsidiaries	334,693	436,600	-	-
Amounts owed by own subsidiaries	-	-	1,117,000	858,700
Other debtors	43,951	31,232	-	-
Prepayments and accrued income	163,440	78,813	61,998	-
	<u>11,098,328</u>	<u>9,384,149</u>	<u>1,644,760</u>	<u>858,700</u>
	=====	=====	=====	=====

15. Creditors

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Bank overdrafts	7,241,902	3,725,302	2,342,545	29,287
Trade creditors	7,926,230	6,769,765	-	-
Amounts owed to holding company	-	2,000,000	-	2,000,000
Amounts owed to fellow subsidiaries	63	844	-	-
Amounts owed to own subsidiaries	-	-	1,471,238	614,121
Other creditors:				
Taxation and social security	388,575	453,289	22,393	17,982
Hire purchase	363,306	85,859	5,425	2,886
Other	71,357	75,004	45,000	45,000
Accruals and deferred income	412,150	318,388	35,516	54,626
	<u>16,403,583</u>	<u>13,428,451</u>	<u>3,922,117</u>	<u>2,763,902</u>
	=====	=====	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

BALANCE SHEET (continued)

15. Creditors (continued)

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due after more than one year:				
Amounts owed to holding company	-	289,389	-	289,389
Other creditors:				
Hire purchase (repayable within five years)	448,920	92,616	5,800	2,710
Other	-	45,000	-	45,000
	<u>448,920</u>	<u>427,005</u>	<u>5,800</u>	<u>337,099</u>
	=====	=====	=====	=====

16. Provisions for liabilities and charges

Deferred taxation

Provision is made for deferred taxation, which is anticipated to be payable within the foreseeable future, as follows:

	<u>£</u>
At 1st October 1985	32,437
Charge for the year	<u>19,301</u>
At 30th September 1986	<u>51,738</u>
	=====

The amount provided for deferred taxation, calculated on the liability method at a rate of corporation tax of 35% and the full potential liability are as follows:

<u>Group</u>	<u>1986</u>		<u>1985</u>	
	<u>Amount provided</u>	<u>Full potential liability</u>	<u>Amount provided</u>	<u>Full potential liability</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Excess tax allowances over depreciation provisions	370,227	370,227	303,115	303,115
Tax losses and other timing differences	(68,420)	(68,420)	(76,046)	(76,046)
Advance corporation tax available for surrender	(250,069)	(250,069)	(194,632)	(194,632)
Surplus arising on the revaluation of land and buildings	-	160,000	-	160,000
	<u>51,738</u>	<u>211,738</u>	<u>32,437</u>	<u>192,437</u>
	=====	=====	=====	=====

There is no potential liability for deferred taxation in respect of the company (1985 - £Nil).

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
 (continued)

BALANCE SHEET (continued)

17. <u>Called up share capital</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Authorised:		
2,500,000 ordinary shares of 25p each	625,000	625,000
	=====	=====
Allotted, called up and fully paid:		
1,819,495 ordinary shares of 25p each	454,874	454,874
	=====	=====

18. Reserves

<u>Group</u>	<u>Profit and</u>
	<u>loss account</u>
	<u>£</u>
At 1st October 1985	4,927,298
Retained profit for the financial year	1,114,903
	=====
At 30th September 1986	6,042,201
	=====
<u>Company</u>	
At 1st October 1985	2,853,085
Retained profit for the financial year	(43,164)
	=====
At 30th September 1986	2,809,921
	=====

Profit for the financial year of £1,006,836 is dealt with in the profit and loss account of the company (1985 - £2,214,983).

19. Commitments

(a) Commitments under operating leases

At 30th September 1986 the group has annual commitments under operating leases as follows:

	<u>1986</u>		<u>1985</u>	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>buildings</u>		<u>buildings</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Expiring within 1 year	-	527	-	614
Expiring between 1 and 5 years	14,863	1,231	-	2,749
Expiring in over 5 years	174,519	-	164,074	-
	189,382	1,758	164,074	3,363
	=====	=====	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1986  
(continued)

BALANCE SHEET (continued)

19. Commitments (continued)

(b) Obligations under finance leases

At 30th September 1986 the group has net obligations under finance leases as follows:

	<u>1986</u> £	<u>1985</u> £
Total net obligations under finance leases	34,226	44,234
Repayable as follows:	=====	=====
Within 1 year	8,264	10,008
Between 1 and 5 years	25,137	31,858
In over 5 years	<u>825</u>	<u>2,368</u>
	34,226	44,234
	=====	=====

(c) Capital commitments

At 30th September 1986 the group has capital commitments as follows:

	<u>1986</u> £	<u>1985</u> £
Contracted for, but not provided in the accounts	93,057	29,844
Authorised by the directors, but not yet contracted for	<u>12,914</u>	<u>28,130</u>
	105,971	57,974
	=====	=====

There are no capital commitments for the company (1985 - £Nil).

(d) Pension commitments

The group contributes to pension funds which cover the majority of its employees, including the directors. These schemes are separately administered by trustees. Contributions to these funds, which are charged against profit in the year in which they are payable, are based upon actuarial advice following the most recent valuation of the fund.

20. Contingent liabilities

The company has guaranteed the indebtedness of its subsidiaries to Barclays Bank Plc. At 30th September 1986 the amount of this contingent liability is £4,899,357 (1985 - £3,717,427).

21. Ultimate holding company

The company is a wholly owned subsidiary of Firststeel Group Limited whose ultimate holding company is Lonrho Plc, a company which is incorporated in Great Britain.