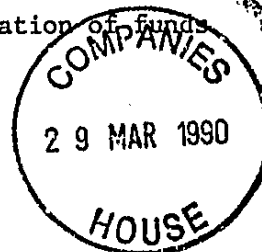


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FIRSTEEL STEEL PROCESSING LIMITED

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REPORT AND ACCOUNTS
78
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6	Consolidated profit and loss account
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8	Balance sheet
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11/27	Notes to the accounts



FIRSTSTEEL STEEL PROCESSING LIMITED

DIRECTORS AND OFFICERS

Directors

T L Adams - Chairman
J V Palmer
G H Craine
T R Dell
R K Hammond
M R Harris
A R Macefield
N J Oseland
A A Vurlan

Secretary

N J Oseland

Auditors

KPMG Peat Marwick McLintock, 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, P O Box 199, 99 Bishops Gate, London EC2P 2LA

Registered office

Brockhurst Crescent, Bescot, Walsall WS5 4AX

FIRSTEEL STEEL PROCESSING LIMITED

REPORT OF THE DIRECTORS

The Directors submit herewith their Report, together with the Audited Accounts for the year ended 30 September 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

As a result of a re-organisation, two of the Group's trading subsidiaries, Firststeel Metal Products Limited and Sheer Pride Limited, and two of its dormant subsidiaries, Firststeel Panels Limited and Sankey Sheldon Limited, were sold to a fellow subsidiary company on 1 October 1988.

Robinson's Steel Limited which was acquired on 4 October 1988 has traded successfully during its first year of new ownership and has been integrated satisfactorily within the Group's steel stockholding businesses.

All of the other companies in the Group took advantage of the buoyant trading conditions and produced high levels of profitability.

Following the successes of this year the Group intends to consider additional investment in similar businesses and products which can further strengthen the range of services currently available to customers.

The Accounts for the year ended 30 September 1989 show a profit on ordinary activities before taxation of £3,256,000 (1988 - £3,965,000). After a taxation credit of £35,000 (1988 - charge £74,000) and extraordinary item of £606,000 (1988 - £10,000) there is a profit attributable to shareholders of £2,685,000 (1988 - £3,881,000).

Total dividends for the year amount to £3,714,000 (1988 - £1,982,000) and the retained loss is £1,029,000 (1988 - profit £1,899,000).

Details of the reserves are shown in the Accounts.

FIXED ASSETS

Details of the fixed assets and the changes which have taken place during the year are given in the Notes to the Accounts.

FIRSTEEL STEEL PROCESSING LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORATE

The present Board of the Company is as set out below:

T L Adams	- Chairman
J V Palmer	
G H Craine	- appointed 3 October 1988
T R Dell	- appointed 3 October 1988
M R Harris	- appointed 3 October 1988
R K Hammond	- appointed 3 October 1988
A R Macefield	
N J Oseland	
A A Vurlan	- appointed 3 October 1988

Mr J B Smith and Mr H J Nash who were directors at the commencement of the year resigned on 3 October 1988 and 28 February 1989 respectively.

DIRECTORS' INTERESTS

According to the Company's Register of Directors' Interests, the following interests have been disclosed:

	<u>LONRHO PUBLIC LIMITED COMPANY</u>			
	<u>Ordinary shares of</u>		<u>Shares under option*</u>	
	<u>25p each fully paid</u>		<u>30.9.89</u>	
	<u>30.9.89</u>	<u>1.10.88</u>	<u>30.9.89</u>	<u>1.10.88</u>
		<u>or date of</u>		<u>or date of</u>
		<u>appointment</u>		<u>appointment</u>
T R Dell	717	2,235	8,443	7,238
M R Harris	6,163	-	5,326	13,741
R K Hammond	-	-	15,672	14,657
A R Macefield	410	352	8,030	6,365
N J Oseland	-	-	14,603	13,454
A A Vurlan	-	-	11,428	9,797

*Options are held pursuant to one or more of the share option schemes of Lonrho Plc and are over Ordinary shares of 25p each of that company.

No interests of any of the other Directors are disclosable to this Company.

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.

FIRSTEEL STEEL PROCESSING LIMITED

REPORT OF THE DIRECTORS
(continued)

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.

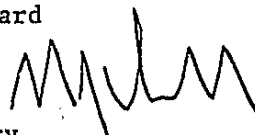
AUDITORS

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

N J OSELAND

Secretary



3 January 1990

Brockhurst Crescent
Bescot
Walsall
WS5 4AX

Peat Marwick McLintock

REPORT OF THE AUDITORS TO THE MEMBERS OF
FIRSTEEL STEEL PROCESSING LIMITED

We have audited the accounts on pages 6 to 27 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30 September 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WPMG Peat Marwick McLintock
Chartered Accountants

Sheffield
3 January 1990

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
TURNOVER	2	71,716	75,671
Cost of sales		(62,236)	(64,471)
GROSS PROFIT		9,480	11,200
Distribution costs and administrative expenses	3	(4,363)	(6,310)
		5,117	4,890
Other operating income	4	<u>71</u>	<u>67</u>
OPERATING PROFIT		5,188	4,957
Income from fixed asset investments		9	5
Interest payable	5	(1,941)	(997)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	3,256	3,965
Taxation on profit on ordinary activities	9	<u>35</u>	<u>(74)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,291	3,891
Extraordinary item	10	<u>(606)</u>	<u>(10)</u>
PROFIT FOR THE FINANCIAL YEAR		2,685	3,881
Dividends paid		(3,714)	(1,982)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	<u>(1,029)</u> <u>=====</u>	<u>1,899</u> <u>=====</u>

The notes on pages 11 to 27 form part
of these accounts

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	11	47	130
Tangible assets	12	8,035	8,353
Investments	13	-	-
		<u>8,082</u>	<u>8,483</u>
CURRENT ASSETS			
Stocks	14	15,814	12,831
Debtors	15	16,085	17,089
Cash at bank and in hand		<u>7</u>	<u>7</u>
		<u>31,906</u>	<u>29,927</u>
CREDITORS:			
Amounts falling due within one year	16	(28,812)	(26,351)
		<u>3,094</u>	<u>3,576</u>
NET CURRENT ASSETS			
		<u>11,176</u>	<u>12,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS:			
Amounts falling due after more than one year	16	(1,420)	(886)
PROVISIONS FOR LIABILITIES AND CHARGES	17	-	(162)
NET ASSETS		<u>9,756</u>	<u>11,011</u>
CAPITAL AND RESERVES			
Called up share capital	18	455	455
Share premium account		12	12
Revaluation reserve	19	1,140	1,401
Capital reserve arising on consolidation	19	1	2
Profit and loss account	19	<u>8,148</u>	<u>9,141</u>
		<u>9,756</u>	<u>11,011</u>

Approved by the board of directors on 3 January 1990

J V PALMER

N J OSELAND

)
) Directors

The notes on pages 11 to 27 form part
of these accounts

FIRSTEEL STEEL PROCESSING LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1989

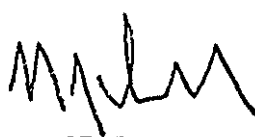
	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	12	62	37
Investments	13	<u>6,170</u>	<u>6,145</u>
		6,232	6,182
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	15	2,463	4,191
Cash at bank and in hand		<u>2</u>	<u>-</u>
		2,465	4,191
		<hr/>	<hr/>
CREDITORS:			
Amounts falling due within one year	16	(5,289)	(5,955)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(2,824)	(1,764)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,408	4,418
CREDITORS:			
Amounts falling due after more than one year	16	(887)	(6)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>-</u>	<u>(2)</u>
NET ASSETS		<u>2,521</u>	<u>4,410</u>
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	18	455	455
Share premium account		12	12
Profit and loss account	19	<u>2,054</u>	<u>3,943</u>
		2,521	4,410
		<hr/>	<hr/>

Approved by the board of directors on 3 January 1990

J V PALMER)

N J OSELAND)

Directors



The notes on pages 11 to 27 form part
of these accounts

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1989

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
<u>SOURCE OF FUNDS</u>		
Profit on ordinary activities before taxation	3,256	3,965
Extraordinary item	(70)	-
Adjustments for items not involving the movement of funds:		
Depreciation	572	1,059
Loss/(profit) on sales of tangible fixed assets	<u>15</u>	<u>(31)</u>
Funds generated from operations	3,773	4,993
Funds from other sources:		
Proceeds from sales of tangible fixed assets	371	138
Proceeds of sale of subsidiaries*	2,364	6
Increase in creditors: Amounts falling due after more than one year	<u>534</u>	<u>255</u>
	<u>7,042</u>	<u>5,392</u>
<u>APPLICATION OF FUNDS</u>		
Purchases of tangible fixed assets	(1,718)	(3,052)
Purchases of intangible fixed assets	(47)	(30)
Dividends paid	(3,714)	(1,982)
Taxation paid	(59)	(41)
Purchase of Robinson's Steel Limited**	<u>(2,072)</u>	<u>-</u>
	<u>(7,610)</u>	<u>(5,105)</u>
 <u>(DECREASE)/INCREASE IN WORKING CAPITAL</u>	 <u>(568)</u>	 <u>287</u>
 <u>COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL</u>		
Stocks	4,135	2,387
Debtors	1,707	2,570
Creditors: Amounts falling due within one year	(5,201)	(5,556)
Movements in net liquid funds:		
Bank overdrafts	(2,922)	886
Cash at bank and in hand	<u>1,713</u>	<u>-</u>
	<u>(568)</u>	<u>287</u>

Peat Marwick McLintock

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

*Analysis of the disposal of Firststeel Metal Products Limited and Sheer Pride Limited:

	<u>Net assets</u> £000		<u>Discharged by</u> £000
Intangible fixed assets	130	Intra group balance	2,364
Tangible fixed assets	2,970		
Investments	20		
Stock	2,545		
Cash	1,713		
Debtors	4,423		
Creditors	(8,591)		
Deferred taxation	(65)		
Transfer from revaluation reserve	(245)		
Extraordinary loss	(536)		
	<u>2,364</u>		<u>2,364</u>

**Analysis of the acquisition of Robinson's Steel Limited:

	<u>Net assets</u> £000		<u>Discharged by</u> £000
Fixed assets	1,892	Cash paid	2,072
Stock	1,393		
Debtors	1,712		
Creditors	(1,323)		
Bank overdraft	(1,588)		
Deferred taxation	(15)		
Goodwill	<u>1</u>		
	<u>2,072</u>		<u>2,072</u>

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989

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 fair 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 13.

(c) Depreciation

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

Freehold buildings	2%
Plant and machinery	6 2/3% - 16 2/3%
Fixtures, fittings and equipment	10% - 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.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

1 ACCOUNTING POLICIES (continued)

(f) Leases

The cost of assets held under finance leases is capitalised within the appropriate tangible fixed asset heading and depreciation is provided in accordance with the group's accounting policy for the category of asset concerned. The interest cost is charged over the term of the lease and the capital element of future lease payments is included in creditors.

The cost of operating leases is charged as incurred.

(g) Development expenditure

Expenditure incurred in the commercial development of a project resulting in a fundamental change in the structure of a company's operations is capitalised within the appropriate fixed asset heading and amortised over the estimated economic life of the project concerned.

(h) Pension costs

The assets of the Group pension schemes are administered by trustees and are kept separate from those of the Group. Independent actuaries prepare valuations of these schemes at least every three years and in accordance with their recommendations the Group makes contributions which are charged to profits on a systematic and rational basis over the expected remaining working life of the employees. Any differences between the actuarial valuation and the value of assets in a scheme are similarly charged or credited to profit before tax over the expected remaining working life of employees in the scheme.

This policy has been amended as a result of the introduction of statement of standard accounting practice No 24 which became effective in 1989 and in accordance with the provisions of the standard no prior year adjustment has been made.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(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>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
United Kingdom	68,990	72,803
Africa	1,053	922
Americas	-	61
Middle East	-	49
Europe and other	<u>1,673</u>	<u>1,836</u>
	<u>71,716</u>	<u>75,671</u>

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>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Distribution costs	1,781	3,554
Administrative expenses	<u>2,582</u>	<u>2,756</u>
	<u>4,363</u>	<u>6,310</u>

4 Other operating income

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Rents receivable	<u>71</u>	<u>67</u>

5 Interest payable

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Group interest	58	348
Bank loans and overdrafts	1,774	511
Lease purchase and finance lease interest	<u>109</u>	<u>138</u>
	<u>1,941</u>	<u>997</u>

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

PROFIT AND LOSS ACCOUNT (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Loss/(profit) on sales of tangible fixed assets	15	(31)
Depreciation of tangible fixed assets	572	1,060
Directors' emoluments (note 7)	311	208
Operating lease charges - plant and machinery	-	3
Operating lease charges - land and buildings	131	398
Auditors' remuneration	72	84
Group management charges	377	-
	==	=====

7 Directors' emoluments

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Executive remuneration	311	208
	==	==
Executive remuneration includes:		
Chairman	-	56
	==	==
Highest paid director	49	56
	==	==

The remuneration of the other directors fell within the following ranges:

£0 - £5,000	2	1
£25,001 - £30,000	1	-
£30,001 - £35,000	-	2
£35,001 - £40,000	4	-
£40,001 - £45,000	2	2

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989 (continued)

PROFIT AND LOSS ACCOUNT (continued)

8 Staff numbers and costs

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

	<u>1989</u>	<u>1988</u>
Management, administration and sales	166	308
Production	<u>322</u>	<u>598</u>
	488	906
	===	===

The aggregate payroll cost was as follows:

	<u>1989</u> £000	<u>1988</u> £000
Wages and salaries	5,746	9,055
Social security costs	<u>456</u>	<u>730</u>
	<u>6,202</u>	<u>9,785</u>
	=====	=====

9 Taxation

	<u>1989</u> £000	<u>1988</u> £000
UK corporation tax at 35% on profits for the year	324	2
Advance corporation tax	(247)	(8)
Deferred taxation	(112)	71
Overseas taxation	-	1
In respect of prior years	<u>-</u>	<u>8</u>
	(35)	74
	=====	=====

Advance corporation tax recoverable has been surrendered by Lonrho Plc.

UK corporation tax on profits for the year has been reduced by £637,000 (1988 - £1,154,000) because of losses brought forward and losses surrendered for no consideration by other companies in the Lonrho Plc group.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

PROFIT AND LOSS ACCOUNT (continued)

10	<u>Extraordinary item</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
	Loss on sale of subsidiaries:		
	Viscount Fastenings Limited	-	10
	Firsteel Metal Products Limited	1,016	-
	Realised post acquisition revaluation	(245)	-
	Loss on closure of branch:		
	P. F. Kitson Steelstock	70	-
	Profit on sale of subsidiary:		
	Sheer Pride Limited	(235)	-
		606	10
		=====	==

BALANCE SHEET

11	<u>Fixed assets - Intangible assets</u>	<u>Development</u> <u>expenditure</u> <u>£000</u>
	<u>Group</u>	
	Cost:	
	At 1 October 1988	130
	Additions during year	47
	Disposal (subsidiary sold)	(130)
	At 30 September 1989	47
	Amortisation:	
	At 1 October 1988 and 30 September 1989	-
	Net book amount:	
	30 September 1989	47
		===
	30 September 1988	130
		===

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

12 Fixed assets - Tangible assets

<u>Group</u>	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant and machinery</u> £000	<u>Fixtures, fittings and equipment</u> £000	<u>Capital work in progress</u> £000	<u>Total</u> £000
Cost or valuation:						
At 1 October 1988	2,783	482	8,073	2,137	1,747	15,222
Reclassification	22	1	269	-	(292)	-
Additions	2,095	30	995	481	388	3,989
Disposals	(280)	(475)	(3,033)	(1,340)	(1,477)	(6,605)
At 30 September 1989	4,620	38	6,304	1,278	366	12,606
Depreciation:						
At 1 October 1988	-	171	5,555	1,143	-	6,869
On subsidiary acquired	-	-	300	79	-	379
Charge for the year	52	1	276	243	-	572
Disposals	-	(164)	(2,302)	(783)	-	(3,249)
At 30 September 1989	52	8	3,829	682	-	4,571
Net book amount:						
30 September 1989	4,568	30	2,475	596	366	8,035
30 September 1988	2,783	311	2,518	994	1,747	8,353

The net book amount of £8,035,000 (1988 - £8,353,000) includes £1,487,000 (1988 - £1,659,000) in respect of assets held under lease purchase agreements and finance leases, on which depreciation of £167,000 (1988 - £409,000) has been charged in the year.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

12 Fixed assets - Tangible assets (continued)

	<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>
	£000	£000	£000	£000	£000	£000
Analysis of closing balance of net book amount:						
Assets at cost	1,837	30	2,475	596	366	5,304
Assets at valuation 1983	<u>2,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,731</u>
	<u>4,568</u>	<u>30</u>	<u>2,475</u>	<u>596</u>	<u>366</u>	<u>8,035</u>

The net historical cost of revalued assets at 30 September 1989 is as follows:

	<u>1989</u>	<u>1988</u>
	£000	£000
Cost	1,708	1,288
Depreciation	<u>(247)</u>	<u>(129)</u>
Net historical cost	<u>1,461</u>	<u>1,159</u>

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

	<u>1989</u>	<u>1988</u>
	£000	£000
Freehold land	2,053	978
Capital work in progress	<u>366</u>	<u>1,747</u>

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989 (continued)

BALANCE SHEET (continued)

12	<u>Fixed assets - Tangible assets</u> (continued)	<u>Fixtures, fittings and equipment</u> £000
	<u>Company</u>	
	Cost:	
	At 1 October 1988	75
	Additions	32
	Intra group transfers	16
	Disposals	(19)
	At 30 September 1989	104
	Depreciation:	
	At 1 October 1988	38
	Charge for the year	21
	Intra group transfers	(2)
	Disposals	(15)
	At 30 September 1989	42
	Net book amount:	
	At 30 September 1989	62
		==
	At 30 September 1988	37
		==

The net book amount of £62,000 (1988 - £37,000) includes £29,000 (1988 - £28,000) in respect of assets held under lease purchase agreements on which depreciation of £6,000 (1988 - £9,000) has been charged for the year.

13 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 30 September 1989 the listed value was £211,000 (1988 - £112,000). 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 STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

13 Fixed assets - Investments (continued)

Company

<u>Shares in subsidiaries</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Shares in group companies at cost: At 30 September	6,170 =====	6,145 =====

The company has the following principal subsidiaries at 30 September 1989 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
P. F. Kitson Steelstock Limited	Steel stockholders
Robinson's Steel Limited	Steel stockholders and decoilers

14	<u>Stocks</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
	<u>Group</u>		
	Raw materials and consumables	14,670	10,699
	Work in progress	1,079	1,422
	Finished goods and goods for resale	65 =====	710 =====
		15,814 =====	12,831 =====

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

15 Debtors

	<u>1989</u> <u>£000</u>	<u>Group</u> <u>1988</u> <u>£000</u>	<u>Company</u> <u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Amounts falling due within one year:				
Trade debtors	15,453	15,324	-	1
Amounts owed by holding company	-	1	-	-
Amounts owed by fellow subsidiaries	368	53	-	-
Amounts owed by own subsidiaries	-	-	2,371	4,114
Other debtors	26	980	13	16
Prepayments and accrued income	<u>238</u>	<u>336</u>	<u>79</u>	<u>60</u>
	<u>16,085</u>	<u>16,694</u>	<u>2,463</u>	<u>4,191</u>
Amounts falling due after more than one year:				
Other debtors	-	395	-	-
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
Total	<u>16,085</u>	<u>17,089</u>	<u>2,463</u>	<u>4,191</u>

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FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989 (continued)

BALANCE SHEET (continued)

16	<u>Creditors</u>		<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:						
Unsecured loan	250	-	250	-	-	-
Bank overdrafts	13,333	8,823	3,429	5,527	-	-
Trade creditors	12,539	13,601	-	-	-	-
Amount owed to holding company	994	95	994	95	-	-
Amounts owed to fellow subsidiaries	1	29	-	-	-	-
Amounts owed to own subsidiaries	-	-	493	192	-	-
Other creditors:						
Corporation tax	98	138	-	-	-	-
Other taxation and social security	455	431	-	1	-	-
Lease purchase and finance leases	421	838	11	11	-	-
Other	121	53	-	-	-	-
Accruals and deferred income	<u>600</u>	<u>2,343</u>	<u>112</u>	<u>129</u>	-	-
	<u>28,812</u>	<u>26,351</u>	<u>5,289</u>	<u>5,955</u>	-	-

Amounts falling due after more than one year:

	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:				
Other creditors:				
Unsecured loan	875	-	875	-
Lease purchase and finance leases (repayable within five years)	<u>545</u>	<u>886</u>	<u>12</u>	<u>6</u>
	<u>1,420</u>	<u>886</u>	<u>887</u>	<u>6</u>

The unsecured loan is repayable over five years at an interest rate of 1% above bank base rate.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989 (continued)

BALANCE SHEET (continued)

17 Provisions for liabilities and charges

Deferred taxation

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

	<u>Group</u> £000	<u>Company</u> £000
At 1 October 1988	162	2
New subsidiary	15	-
Sale of subsidiaries	(65)	-
Credit for the year	<u>(112)</u>	<u>(2)</u>
At 30 September 1989	<u>-</u>	<u>-</u>

Group

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>1989</u>		<u>1988</u>	
	<u>Amount</u> <u>provided</u> £000	<u>Full</u> <u>potential</u> <u>liability</u> £000	<u>Amount</u> <u>provided</u> £000	<u>Full</u> <u>potential</u> <u>liability</u> £000
Excess tax allowances over depreciation provisions	-	613	575	575
Tax losses and other timing differences	-	(41)	90	90
Advance corporation tax available	-	(813)	(503)	(682)
Surplus arising on the revaluation of land and buildings	<u>-</u>	<u>565</u>	<u>-</u>	<u>250</u>
	<u>-</u>	<u>324</u>	<u>162</u>	<u>233</u>

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

17 Provisions for liabilities and charges (continued)

Company

The amount provided for deferred taxation, which is the full potential liability, is calculated on the liability method at a rate of corporation tax of 35%.

	<u>1989</u> £000	<u>1988</u> £000
Excess depreciation provisions over tax allowances	-	(4)
Tax losses and other timing differences	-	10
Advance corporation tax available	-	(4)
	-	2
	==	==

18 Called up share capital

Authorised:

2,500,000 ordinary shares of 25p each

<u>1989</u> £000	<u>1988</u> £000
625	625
==	==

Allotted, called up and fully paid:

1,819,495 ordinary shares of 25p each

<u>1989</u> £000	<u>1988</u> £000
455	455
==	==

19 Reserves

Group

	<u>Profit and</u> <u>loss account</u> £000	<u>Revaluation</u> <u>reserve</u> £000	<u>Capital</u> <u>reserve</u> £000
At 1 October 1988	9,141	1,401	2
Retained loss for the financial year	(1,029)	-	-
Write-off of goodwill on consolidation	-	-	(1)
Disposal of subsidiary	20	(245)	-
Transfer from revaluation	<u>16</u>	<u>(16)</u>	-
At 30 September 1989	<u>8,148</u>	<u>1,140</u>	<u>1</u>
	=====	=====	=====

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

19 Reserves (continued)

	<u>Profit and loss account</u> £000
<u>Company</u>	
At 1 October 1988	3,943
Loss for the financial year	(1,889)
At 30 September 1989	<u>2,054</u>

Advantage has been taken of the exemption from the requirement to prepare a separate profit and loss account for the holding company.

Profit for the financial year of £1,825,000 is dealt with in the financial statements of the holding company (1988 - £2,835,000).

20 Commitments

(a) Commitments under operating leases

At 30 September 1989 the group has annual commitments under operating leases as follows:

	<u>1989</u>		<u>1988</u>	
	<u>Land and buildings</u> £000	<u>Other</u> £000	<u>Land and buildings</u> £000	<u>Other</u> £000
Expiring within 1 year	-	-	155	3
Expiring between 2 and 5 years	19	-	45	-
Expiring in over 5 years	<u>113</u>	<u>-</u>	<u>248</u>	<u>-</u>
	<u>132</u>	<u>-</u>	<u>448</u>	<u>3</u>
	===	==	===	==

The company has no commitments under operating leases.

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

20 Commitments (continued)

(b) Obligations under lease purchase and finance leases

At 30 September 1989 there were ~~not~~ obligations under lease purchase and finance leases as follows:

<u>Group</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Total obligations under lease purchase and finance leases	966 ==	1,724 =====
Repayable as follows:		
Within 1 year	421	838
Between 2 and 5 years	545	886
	966 ==	1,724 =====

Company

Total obligations under lease purchase and finance leases	23 ==	17 ==
Repayable as follows:		
Within 1 year	11	11
Between 2 and 5 years	12	6
	23 ==	17 ==

(c) Capital commitments

At 30 September 1989 the group has capital commitments as follows:

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Contracted for but not provided in the accounts	340	1,277
Authorised by the directors but not yet contracted for	246	1,053
	586 ==	2,330 =====

There are no capital commitments for the company (1988 - £Nil).

FIRSTEEL STEEL PROCESSING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1989
(continued)

BALANCE SHEET (continued)

20 Commitments (continued)

(d) Pension costs

The group participates in the two funded defined benefits pension schemes operated by the Firsteel Group. The pension cost for the year, which is based on pension costs across the Firsteel Group as a whole, amounted to £Nil (1988 - £Nil). This cost has been assessed in accordance with the advice of qualified actuaries based on formal valuations carried out as at 30 September 1988 using the entry age method of valuation. The actuarial valuation made allowance for the fact that the two pension schemes will be merged during 1990 with resultant changes in benefits and contribution rates. Particulars of this valuation, which indicated that the pension schemes are in surplus, are contained in the accounts of Firsteel Group Limited.

21 Contingent liabilities

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
A contingent liability exists in respect of:				
Group value added tax	765	332	765	322
Group bank guarantees	<u>6,000</u>	<u>-</u>	<u>15,958</u>	<u>4,984</u>
	<u>6,765</u>	<u>332</u>	<u>16,723</u>	<u>5,306</u>
	<u>=====</u>	<u>===</u>	<u>=====</u>	<u>=====</u>

22 Ultimate holding company

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