

KPMG Peat Marwick

Firsteel Steel Processing Limited

**Directors' report and consolidated
financial statements**

30 September 1994

Registered number 39563



Firststeel Steel Processing Limited

Directors' report and consolidated financial statements

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Firsteel Steel Processing Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 1994.

Principal activities

The principal activities of the group consist of the manufacture of precision cold rolled steel strip and precoated aluminium and steel strip and the processing and distribution of a total range of wide steel strip products.

Business review

The financial statements for the year ended 30 September 1994 show a profit on ordinary activities before taxation of £2,212,000 (1993:£2,269,000). After a taxation charge of £Nil (1993:£1,000) there is a profit attributable to shareholders of £2,212,000 (1993:£2,268,000).

The directors do not recommend the payment of a dividend (1993:£1,426,000).

Significant changes in fixed assets

Details of the fixed assets and the changes which have taken place during the year are given in the notes to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

TL Adams (Chairman)
JV Palmer
GH Craine
TR Dell
RK Hammond
NJ Oseland
AA Vurlan

The interest of TL Adams and JV Palmer are disclosed in the directors' report of Firsteel Holdings Limited.

The interests of GH Craine are disclosed in the directors' report of Firsteel Group Limited.

Firsteel Steel Processing Limited

Directors' report

Directors and directors' interests (continued)

The other directors who held office at the end of the financial year had the following interests in Firsteel Holdings Limited, the company's ultimate holding company, as recorded in the register of director's share and debenture interests:

	Interest at end of year	Interest at beginning of year
<i>A Ordinary shares of 1p fully paid</i>		
TR Dell	10,034	9,251
RK Hammond	10,034	9,251
NJ Oseland	10,034	9,251
AA Vurlan	10,034	9,251

According to the register of directors' interests, no right to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Statement of directors' responsibilities

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 group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Firsteel Steel Processing Limited

Directors' report

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 employees 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 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.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to £255 (1993:£483).

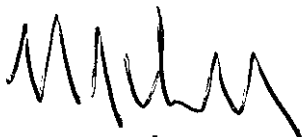
Liability insurance

During the year the company maintained liability insurance for its directors and officers.

Auditors

Further to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG Peat Marwick will therefore continue in office.

By order of the board



NJ Oseland
Secretary

Brockhurst Crescent
Bescot
Walsall
West Midlands
WS5 4AX

5 January 1995

The Fountain Precinct
1 Balm Green
Sheffield
S1 3AF

Report of the auditors to the members of Firsteel Steel Processing Limited

We have audited the financial statements on pages 5 to 27.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 and the group as at 30 September 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

*Chartered Accountants
Registered Auditors*

5 January 1995

Sheffield

Firsteel Steel Processing Limited

Consolidated profit and loss account for the year ended 30 September 1994

	Note	1994 £000	1993 £000
Turnover	2	59,697	54,573
Cost of sales		(51,700)	(46,049)
Gross profit		7,997	8,524
Distribution costs and administrative expenses	3	(5,735)	(6,110)
Trading profit		2,262	2,414
Income from fixed asset investments	7	-	5
Other interest receivable and similar income	8	2	1
Interest payable and similar charges	9	(52)	(151)
Profit on ordinary activities before taxation	4-6	2,212	2,269
Tax on profit on ordinary activities	10	-	(1)
Profit on ordinary activities after taxation		2,212	2,268
Dividends paid and proposed on equity shares		-	(1,426)
Retained profit for the financial year		2,212	842

In both the current and preceding years, the company and its subsidiary undertakings made no material acquisitions and had no discontinued operations.

The company has no recognised gains or losses other than the profit for the financial year.

A statement of movements on reserves is given in note 21.

Firsteel Steel Processing Limited

Note of historical cost profits and losses
for the year ended 30 September 1994

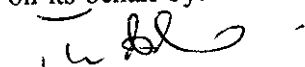
	1994 £000	1993 £000
Reported profit on ordinary activities before taxation	2,212	2,269
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>49</u>	<u>14</u>
Historical cost profit on ordinary activities before taxation	<u>2,261</u>	<u>2,283</u>
Retained historical cost profit for the financial year	<u>2,261</u>	<u>856</u>

Firsteel Steel Processing Limited

Consolidated balance sheet at 30 September 1994

	Note	1994 £000	1993 £000
Fixed assets			
Tangible assets	11	13,461	13,747
Investments	12	-	-
		<u>13,461</u>	<u>13,747</u>
Current assets			
Stocks	13	10,054	8,956
Assets held for realisation	14	110	110
Debtors	15	14,545	12,686
Cash at bank and in hand		2,350	674
		<u>27,059</u>	<u>22,426</u>
Creditors: amounts falling due within one year	16	<u>(15,258)</u>	<u>(11,929)</u>
Net current assets		<u>11,801</u>	<u>10,497</u>
Total assets less current liabilities		<u>25,262</u>	<u>24,244</u>
Creditors: amounts falling due after more than one year	17	14,540	15,734
Capital and reserves			
Called up share capital	19	7,500	7,500
Share premium	21	12	12
Revaluation reserve	21	1,277	1,326
Capital reserve	21	1,431	1,431
Profit and loss account	21	502	(1,759)
Total equity shareholders' funds		<u>10,722</u>	<u>8,510</u>
		<u>25,262</u>	<u>24,244</u>

These financial statements were approved by the board of directors on 5 January 1995 and were signed on its behalf by:



TL Adams
Director

Firsteel Steel Processing Limited

Balance sheet
at 30 September 1994

	Note	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Investments	12		13,485		13,515
			<u>13,485</u>		<u>13,515</u>
Total assets			<u>13,485</u>		<u>13,515</u>
 Creditors: amounts falling due after more than one year					
	17		5,973		6,003
 Capital and reserves					
Called up share capital	19	7,500		7,500	
Share premium	21		12		12
		<u>7,500</u>		<u>7,500</u>	
Total equity shareholders' funds			7,512		7,512
			<u>13,485</u>		<u>13,515</u>

These financial statements were approved by the board of directors on 5 January 1995 and were signed on its behalf by:



TL Adams
Director

Firststeel Steel Processing Limited

Consolidated cash flow statement for the year ended 30 September 1994

	Note	1994		1993	
		£000	£000	£000	£000
Net cash inflow from operating activities	25		2,587		204
Returns on investments and servicing of finance					
Interest received		2		1	
Interest element of finance lease rental payments		(52)		(151)	
Dividends received from fixed asset investments		-		5	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investment and servicing of finance			(50)		(145)
Taxation					
Overseas tax paid		-		(1)	
		<u> </u>		<u> </u>	
Tax paid			-		(1)
Investing activities					
Purchase of tangible fixed assets		(454)		(690)	
Sale of tangible fixed assets		75		99	
		<u> </u>		<u> </u>	
Net cash outflow from investing activities			(379)		(591)
Net cash inflow/(outflow) before financing			<u>2,158</u>		<u>(533)</u>
Financing					
Capital element of finance lease rental payments		482		453	
		<u> </u>		<u> </u>	
Net cash outflow from financing			482		453
Increase/(decrease) in cash and cash equivalents	26		<u>1,676</u>		<u>(986)</u>
			<u>2,158</u>		<u>(533)</u>

Firsteel Steel Processing Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

Basis of consolidation

The group financial statements consolidate the financial statements of Firsteel Steel Processing Limited and all its subsidiary undertakings. These financial statements are made up to 30 September 1994.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. On disposal goodwill previously written off to reserves is written back and the profit or loss adjusted accordingly. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Firsteel Steel Processing Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Firsteel Steel Processing Limited is disclosed in note 21 to these financial statements.

Firststeel Steel Processing Limited

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided by group companies to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold and long leasehold buildings	-	2% per annum
Short leasehold buildings	-	20% per annum
Plant and machinery	-	6 2/3% to 25% per annum
Fixtures, fittings and equipment	-	10% to 25% per annum

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

Leases

Where a group company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Firsteel Steel Processing Limited

Notes (continued)

2 Turnover

Turnover represents sales of goods and services net of discounts, allowances and value added tax. Turnover is all derived from metal processing and the result before taxation attributable to this business is shown in the profit and loss account.

The analysis of turnover by geographical area is as follows:

	1994 £000	1993 £000
United Kingdom	53,251	49,738
Africa	1,469	724
Europe and other	4,977	4,111
	<u>59,697</u>	<u>54,573</u>

3 Distribution costs and administrative expenses

	1994 £000	1993 £000
Distribution costs	2,508	2,488
Administrative expenses	3,227	3,622
	<u>5,735</u>	<u>6,110</u>

Firsteel Steel Processing Limited

Notes (continued)

4	Profit on ordinary activities before taxation	1994 £000	1993 £000
	<i>Profit on ordinary activities before taxation is stated</i>		
	<i>after charging</i>		
	Auditors' remuneration:		
	Audit	93	87
	Other services	13	10
	Depreciation of tangible fixed assets:		
	Owned	857	760
	Leased	151	144
	Hire of plant and machinery - rentals payable under operating leases	25	30
	Hire of other assets - operating leases	302	303
	Group management charges	1,132	1,617

5	Remuneration of directors	1994 £000	1993 £000
	Directors' emoluments:		
	Remuneration as executives	221	212

The emoluments, excluding pension contributions, of the chairman were £Nil (1993:£Nil) and those of the highest paid director were £57,000 (1993:£56,000).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

			Number of directors	
			1994	1993
£0	-	£ 5,000	3	3
£50,001	-	£55,000	2	3
£55,001	-	£60,000	2	1

Firsteel Steel Processing Limited

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1994	1993
Management, administration and sales	164	170
Production	307	322
	<u>471</u>	<u>492</u>

The aggregate payroll costs of these persons were as follows:

	1994 £000	1993 £000
Wages and salaries	7,626	7,533
Social security costs	608	608
	<u>8,234</u>	<u>8,141</u>

7 Income from fixed asset investments

	1994 £000	1993 £000
Listed investments (see note 12)	<u>-</u>	<u>5</u>

Firsteel Steel Processing Limited

Notes (continued)

8 Other interest receivable and similar income

	1994 £000	1993 £000
Bank interest receivable	<u>2</u>	<u>1</u>

9 Interest payable and similar charges

	1994 £000	1993 £000
Finance charges payable in respect of finance leases and hire purchase contracts	<u>52</u>	<u>151</u>

10 Taxation

	1994 £000	1993 £000
UK corporation tax at 33% (1993:33%) on the profit for the year on ordinary activities	-	-
Overseas taxation	-	1
	<u>-</u>	<u>1</u>

UK corporation tax on the results for the year has been reduced by £1,217,000 (1993:£499,000) because of losses surrendered for no consideration by other group companies.

There are tax losses of approximately £3,500,000 (1993:£4,300,000) carried forward in the group.

Firsteel Steel Processing Limited

Notes (continued)

11 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Capital work in progress	Total
	£000	£000	£000	£000	£000
Group					
<i>Cost or valuation</i>					
At beginning of year	9,222	11,745	1,486	139	22,592
Additions	4	473	217	75	769
Transfers between items	-	109	23	(132)	-
Amounts written off	-	(15)	(23)	-	(38)
Disposals	(31)	(202)	(230)	-	(463)
Intra group transfers	-	-	(36)	-	(36)
	<u>9,195</u>	<u>12,110</u>	<u>1,437</u>	<u>82</u>	<u>22,824</u>
<i>Depreciation</i>					
At beginning of year	973	6,998	874	-	8,845
Charge for year	143	651	214	-	1,008
Transfers between items	-	(20)	20	-	-
On disposals	(31)	(184)	(241)	-	(456)
Intra group transfers	-	-	(34)	-	(34)
	<u>1,085</u>	<u>7,445</u>	<u>833</u>	<u>-</u>	<u>9,363</u>
<i>Net book value</i>					
At 30 September 1994	<u>8,110</u>	<u>4,665</u>	<u>604</u>	<u>82</u>	<u>13,461</u>
At 30 September 1993	<u>8,249</u>	<u>4,747</u>	<u>612</u>	<u>139</u>	<u>13,747</u>

Firsteel Steel Processing Limited

Notes (continued)

11 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	Group	
	1994	1993
	£000	£000
Freehold	8,110	8,242
Short leasehold	-	7
	<u>8,110</u>	<u>8,249</u>

Particulars relating to revalued assets are given below:

	Group	
	1994	1993
	£000	£000
<i>Land and buildings</i>		
At 1990 open market value	694	694
At 1991 open market value	2,036	2,036
Aggregate depreciation thereon	(220)	(150)
	<u>2,510</u>	<u>2,580</u>
Net book value		
	<u>2,510</u>	<u>2,580</u>
Historical cost of revalued assets	1,524	1,524
Aggregate depreciation based on historical cost	(299)	(278)
	<u>1,225</u>	<u>1,246</u>
Historical cost net book value		
	<u>1,225</u>	<u>1,246</u>

The gross book value of land and buildings includes £6,652,000 (1993:£6,679,000) of depreciable assets.

Included in the total net book value of tangible fixed assets is £1,215,000 (1993:£1,478,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £151,000 (1993:£144,000).

Firsteel Steel Processing Limited

Notes (continued)

12 Fixed asset investments

(i) Listed investments

Group

The group, through a subsidiary undertaking, owns 91,392 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 1994 the listed value was £168,000 (1993:£70,000). However, in the opinion of the directors, the investment is of nominal value whilst currency exchange restrictions exist between the United Kingdom and India.

(ii) Shares in group undertakings

£000

Company

Cost

At beginning of year

13,901

Transfer to other group undertaking

(416)

At end of year

13,485

Provisions

At beginning of year

386

Transfer to other group undertaking

(386)

At end of year

-

Net book value

At 30 September 1994

13,485

At 30 September 1993

13,515

Firsteel Steel Processing Limited

Notes (continued)

12 Fixed asset investments (continued)

(ii) Shares in group undertakings (continued)

During the year the following companies, which operate in the United Kingdom, materially contributed to the assets and results of the Group. They have been classified according to their main activity. Each company is incorporated in England and the share capital is wholly owned, either by the company or a subsidiary company.

	Principal location	Principal activity
Firsteel Cold Rolled Products Limited	Walsall	Manufacture of precision cold rolled steel strip in a range of qualities from low carbon deep drawing to high carbon and alloy grades.
Firsteel Coated Strip Limited	Walsall	Manufacture of precoated aluminium and steel strip with liquid organic coatings and with film laminates.
Firsteel Strip Mill Products Limited	Brierley Hill	Service centres and processors for the total range of wide steel strip products and other special purpose steels.
Firsteel Resources Limited (formerly Firsteel Distributors Limited)	Darlaston	Buyer and seller of steel, mainly non-prime hot rolled steel coil.

During the year the company transferred its interest in Firsteel Distributors Limited to Firsteel Strip Mill Products Limited.

13 Stocks

	1994 £000	1993 £000
Group		
Raw materials and consumables	8,266	7,787
Work in progress	1,788	1,169
	<hr/>	<hr/>
	10,054	8,956
	<hr/>	<hr/>

Firststeel Steel Processing Limited

Notes (continued)

14 Assets held for realisation

	1994 £000	1993 £000
Group		
Land and property	<u>110</u>	<u>110</u>

15 Debtors

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
<i>Amounts falling due within one year</i>				
Trade debtors	14,208	12,142	-	-
Amounts owed by parent and fellow subsidiary undertakings	-	252	-	-
Other debtors	4	14	-	-
Prepayments and accrued income	<u>212</u>	<u>278</u>	<u>-</u>	<u>-</u>
	14,424	12,686	-	-
<i>Amounts falling due after more than one year</i>				
Amounts owed by parent and fellow subsidiary undertakings	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>
	14,545	12,686	-	-

Firsteel Steel Processing Limited

Notes (continued)

16 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Unsecured loan	378	-	-	-
Obligations under finance leases and hire purchase contracts	406	334	-	-
Trade creditors	13,015	10,315	-	-
Amounts owed to parent and fellow subsidiary undertakings	24	40	-	-
Other creditors including taxation and social security:				
Other taxes and social security	513	367	-	-
Other creditors	72	295	-	-
Accruals and deferred income	850	578	-	-
	<u>15,258</u>	<u>11,929</u>	<u>-</u>	<u>-</u>

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
<i>Repayable within five years:</i>				
Unsecured loan	-	378	-	-
Obligations under finance leases and hire purchase contracts	164	448	-	-
Amounts owed to parent and fellow subsidiary undertakings	14,376	14,908	5,973	6,003
	<u>14,540</u>	<u>15,734</u>	<u>5,973</u>	<u>6,003</u>

Firsteel Steel Processing Limited

Notes (continued)

17 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group	
	1994 £000	1993 £000
Within one year	406	334
In the second to fifth years	164	448
	<u>570</u>	<u>782</u>

18 Provisions for liabilities and charges

Group

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1994		1993	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	1,242	-	1,283
Tax losses and other timing differences	-	(1,242)	-	(1,283)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The contingent liability for deferred taxation on the revaluation of land and buildings is £412,000.

Company

There is no potential liability for deferred taxation in respect of the company (1993:£Nil).

Firsteel Steel Processing Limited

Notes (continued)

19	Called up share capital	1994 £000	1993 £000
	<i>Authorised</i>		
	Ordinary shares of £1 each	<u>7,500</u>	<u>7,500</u>
	<i>Allotted, called up and fully paid</i>		
	Ordinary shares of £1 each	<u>7,500</u>	<u>7,500</u>
20	Reconciliation of movements in shareholders' funds		
		Group	
		1994 £000	1993 £000
	Profit on ordinary activities after taxation	2,212	2,268
	Dividends paid and proposed	<u>-</u>	<u>(1,426)</u>
	Profit for the financial year	2,212	842
	Opening shareholders' funds	<u>8,510</u>	<u>7,668</u>
	Closing shareholders' funds	<u>10,722</u>	<u>8,510</u>

Firsteel Steel Processing Limited

Notes (continued)

21 Share premium and reserves

	Share premium	Revaluation reserve	Capital reserve	Profit and loss account
	£000	£000	£000	£000
Group				
At beginning of year	12	1,326	1,431	(1,759)
Transfer to profit and loss account	-	(49)	-	49
Retained profit for the financial year	-	-	-	2,212
At end of year	12	1,277	1,431	502

The transfer to the profit and loss account represents the additional depreciation charge following the revaluation of land and buildings.

	Share premium	Profit and loss account
	£000	£000
Company		
At beginning and end of year	12	-

22 Contingent liabilities

Contingent liabilities exist in respect of:

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Group bank guarantees	7,125	7,049	7,786	7,612
Group VAT liability	-	-	175	46
	7,125	7,049	7,961	7,658

Firsteel Steel Processing Limited

Notes (continued)

23 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	Group	
	1994 £000	1993 £000
Contracted	-	84
Authorised but not contracted	<u>322</u>	<u>131</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings	
	1994 £000	1993 £000
Operating leases which expire:		
Within one year	-	16
In the second to fifth years inclusive	13	30
Over five years	<u>270</u>	<u>243</u>
	<u>283</u>	<u>289</u>

The company has no commitments at the year end.

24 Pension scheme

The group participated in the funded defined benefit pension scheme 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 (1993:£Nil). This cost has been assessed in accordance with the advice of qualified actuaries based on a formal valuation carried out as at 30 September 1991 using the projected unit method of valuation. Particulars of this valuation, which indicated that the pension scheme is in surplus, are contained in the financial statements of Firsteel Holdings Limited.

An actuarial valuation as at 30 September 1994 is currently being prepared.

Firststeel Steel Processing Limited

Notes (continued)

25 Reconciliation of trading profit to net cash inflow from operating activities

	1994 £000	1993 £000
Trading profit	2,262	2,414
Depreciation charge	1,008	904
Profit on sale of tangible fixed assets	(29)	-
Increase in stocks	(1,098)	(994)
Increase in debtors	(1,859)	(113)
Increase/(decrease) in creditors	2,303	(2,007)
	<hr/>	<hr/>
Net cash inflow from operating activities	2,587	204
	<hr/>	<hr/>

26 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 1 October 1992	1,660
Net cash outflow	(986)
	<hr/>
Balance at 30 September 1993	674
Net cash inflow	1,676
	<hr/>
Balance at 30 September 1994	2,350
	<hr/>

Firsteel Steel Processing Limited

Notes (continued)

27 Analysis of changes in financing during the year

	Share capital (including premium) £000	Loans and finance lease obligations £000
Balance at 1 October 1992	7,512	1,431
Cash outflow from financing	-	(453)
Inception of finance lease contracts	-	182
	<hr/>	<hr/>
Balance at 30 September 1993	7,512	1,160
Cash outflow from financing	-	(482)
Inception of finance lease contracts	-	270
	<hr/>	<hr/>
Balance at 30 September 1994	<u>7,512</u>	<u>948</u>

28 Ultimate parent company and parent undertaking of larger group

The company's ultimate parent company is Firsteel Holdings Limited, registered in England and Wales.

The only group in which the results of the company are consolidated is that headed by Firsteel Holdings Limited registered in England and Wales. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.