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FIRSTEEL MANUFACTURING LIMITED

GROUP

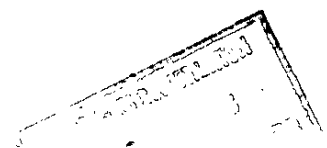
REPORT AND ACCOUNTS

1987

I N D E X

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FIRSTEEL MANUFACTURING LIMITED

DIRECTORS AND OFFICERS

Directors

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

Secretary

N. J. Oseland

Auditors

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, 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 herewith their Report, together with the Audited Accounts for the year ended 30th September 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group continue to 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.

On 30th March 1987, Firsteel Manufacturing Limited acquired Sheer Pride Limited, a manufacturer and distributor of office furniture, based at Weybridge, Surrey.

It is felt that this acquisition will further strengthen the Group's overall steel-related activities with additional emphasis on the manufacture of steel products.

The Accounts for the year ended 30th September 1987 show a profit on ordinary activities before taxation of £2,854,096 (1986 - £2,185,505). After deducting taxation costs of £204,233 (1986 - £20,602) there is a profit attributable to shareholders of £2,649,863 (1986 - £2,164,903).

Total dividends for the year amount to £1,410,000 (1986 - £1,050,000) and the retained profit is £1,239,863 (1986 - £1,114,903).

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.

DIRECTORATE

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

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

Mr. H.H. Jones, who was a Director at the commencement of the year, deceased on 2nd April 1987.

FIRSTEEL MANUFACTURING LIMITED
REPORT OF THE DIRECTORS
(continued)

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>30.9.87</u>	<u>1.10.86</u>	<u>30.9.87</u>	<u>1.10.86</u>
A. R. Macefield	302	275	10,946	9,951
N. J. Oseland	-	-	11,533	10,485
J. V. Palmer	247	2,475	10,065	9,150
J. B. Smith	510	1,100	15,914	14,468

*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.

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

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were re-appointed as auditors of the company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their re-appointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board

N. J. OSELAND

Secretary



22nd December 1987

Brockhurst Crescent,
Bescot,
Walsall,
WS5 4AX

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 give a true and fair view of the state of the affairs of the company and of the group at 30th September 1987 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.

Paul Hammett M.A.C.A.
Chartered Accountants

Sheffield
22nd December 1987

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
TURNOVER	2	60,813,648	48,566,053
Cost of sales		(52,184,528)	(42,116,926)
GROSS PROFIT		8,629,120	6,449,127
Distribution costs and administrative expenses	3	(4,902,984)	(3,659,723)
		3,726,136	2,789,404
Other operating income	4	49,088	62,578
OPERATING PROFIT		3,775,224	2,851,982
Income from fixed asset investments		6,528	5,203
Interest receivable	5	53,572	20,374
Interest payable	6	(981,228)	(692,054)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	2,854,096	2,185,505
Taxation on profit on ordinary activities	10	(204,233)	(20,602)
PROFIT FOR THE FINANCIAL YEAR		2,649,863	2,164,903
Dividends paid		(1,410,000)	(1,050,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	1,239,863	1,114,903

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

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
TURNOVER	2	60,813,648	48,566,053
Cost of sales		(52,184,528)	(42,116,926)
GROSS PROFIT		8,629,120	6,449,127
Distribution costs and administrative expenses	3	(4,902,984)	(3,659,723)
		3,726,136	2,789,404
Other operating income	4	49,088	62,578
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Income from fixed asset investments		6,528	5,203
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PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	2,854,096	2,185,505
Taxation on profit on ordinary activities	10	(204,233)	(20,602)
PROFIT FOR THE FINANCIAL YEAR		2,649,863	2,164,903
Dividends paid		(1,410,000)	(1,050,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	1,239,863	1,114,903

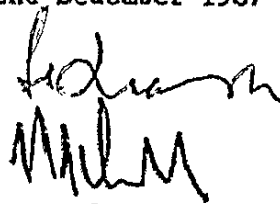
The notes on pages 9 to 19 form part
of these accounts

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30th SEPTEMBER 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
FIXED ASSETS			
Tangible assets	11	5,057,046	3,916,366
Investments	12	<u>1</u>	<u>1</u>
		5,057,047	3,916,367
CURRENT ASSETS			
Stocks	13	10,512,510	8,397,945
Debtors	14	14,707,591	11,098,328
Cash at bank and in hand		<u>7,413</u>	<u>5,522</u>
		25,227,514	19,501,795
CREDITORS:			
Amounts falling due within one year	15	(21,911,514)	(16,403,583)
NET CURRENT ASSETS		<u>3,316,000</u>	<u>3,098,212</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,373,047	7,014,579
CREDITORS:			
Amounts falling due after more than one year	15	(527,916)	(448,920)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(91,347)</u>	<u>(51,738)</u>
NET ASSETS		<u>7,753,784</u>	<u>6,513,921</u>
CAPITAL AND RESERVES			
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>7,282,064</u>	<u>6,042,201</u>
		7,753,784	6,513,921

Approved by the board of directors on 22nd December 1987

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



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

FIRSTEEL MANUFACTURING LIMITED
BALANCE SHEET AT 30th SEPTEMBER 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
FIXED ASSETS			
Tangible assets	11	35,434	17,095
Investments	12	<u>6,146,060</u>	<u>5,542,060</u>
		<u>6,181,494</u>	<u>5,559,155</u>
CURRENT ASSETS			
Debtors	14	2,803,148	1,644,760
Cash at bank and in hand		<u>119,207</u>	<u>494</u>
		<u>2,922,355</u>	<u>1,645,254</u>
CREDITORS:			
Amounts falling due within one year	15	<u>(5,537,688)</u>	<u>(3,922,117)</u>
NET CURRENT LIABILITIES		<u>(2,615,333)</u>	<u>(2,276,863)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,566,161	3,282,292
CREDITORS:			
Amounts falling due after more than one year	15	<u>(9,750)</u>	<u>(5,800)</u>
NET ASSETS		<u>3,556,411</u>	<u>3,276,492</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>3,089,840</u>	<u>2,809,921</u>
		<u>3,556,411</u>	<u>3,276,492</u>

Approved by the board of directors on 22nd December 1987

H. J. NASH

)

Directors

N. J. OSELAND

)

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 1987

	<u>1987</u> £	<u>1986</u> £
<u>SOURCE OF FUNDS</u>		
Profit on ordinary activities before taxation	2,854,096	2,185,505
Adjustments for items not involving the movement of funds:		
Depreciation	804,219	542,342
Profit on sales of tangible fixed assets	<u>(32,905)</u>	<u>(5,368)</u>
Funds generated from operations	3,625,410	2,722,479
Funds from other sources:		
Proceeds from sales of tangible fixed assets	91,122	44,840
Increase in creditors: Amounts falling due after more than one year	<u>78,996</u>	<u>21,915</u>
	<u>3,795,528</u>	<u>2,789,234</u>
<u>APPLICATION OF FUNDS</u>		
Purchases of tangible fixed assets	(1,366,442)	(1,378,377)
Dividends paid	(1,410,000)	(1,050,000)
Overseas taxation paid	(1,632)	(1,301)
Purchase of Sheer Pride Limited*	<u>(604,000)</u>	<u>-</u>
	<u>(3,382,074)</u>	<u>(2,429,673)</u>
<u>INCREASE IN WORKING CAPITAL</u>	<u>413,454</u>	<u>359,556</u>
<u>COMPONENTS OF INCREASE IN WORKING CAPITAL</u>		
Stocks	991,565	1,620,258
Debtors	1,839,263	1,714,179
Creditors: Amounts falling due within one year	(1,052,250)	541,468
Movements in net liquid funds:		
Bank overdrafts	(1,365,015)	(3,516,600)
Cash at bank and in hand	<u>(109)</u>	<u>251</u>
	<u>413,454</u>	<u>359,556</u>

*Analysis of the acquisition of Sheer Pride Limited

	<u>Net assets acquired</u> £		<u>Discharged by</u> £
Fixed assets	636,674	Cash paid	604,000
Stock	1,123,000		
Cash	2,000		
Debtors	1,770,000		
Creditors	(1,803,674)		
Bank overdraft	(1,111,000)		
Deferred taxation	<u>(13,000)</u>		
	<u>604,000</u>		<u>604,000</u>

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987

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 evenly over their estimated remaining lives at the following annual rates:

Freehold buildings	2%
Plant and machinery	10% - 12½%
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.

(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 1987
 (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>1987</u> £	<u>1986</u> £
United Kingdom		
Africa	58,680,886	46,682,316
Americas	780,507	377,334
Europe and other	-	24,846
	<u>1,352,255</u>	<u>1,481,557</u>
	60,813,648	48,566,053
	=====	=====

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>1987</u> £	<u>1986</u> £
Distribution costs	2,480,977	1,569,600
Administrative expenses	<u>2,422,007</u>	<u>2,090,123</u>
	4,902,984	3,659,723
	=====	=====

4. Other operating income

	<u>1987</u> £	<u>1986</u> £
Rents receivable	<u>49,088</u>	<u>62,578</u>
	=====	=====

5. Interest receivable

	<u>1987</u> £	<u>1986</u> £
Group interest	<u>53,572</u>	<u>20,374</u>
	=====	=====

6. Interest payable

	<u>1987</u> £	<u>1986</u> £
Bank loans and overdrafts	905,736	653,826
Hire purchase interest	<u>75,492</u>	<u>38,228</u>
	981,228	692,054
	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

PROFIT AND LOSS ACCOUNT (continued)

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting:

	<u>1987</u> £	<u>1986</u> £
Profit on sales of tangible fixed assets	32,905	5,368
and after charging:		
Depreciation of tangible fixed assets	804,219	542,342
Directors' emoluments (note 8)	198,319	193,224
Finance lease charges	63,270	23,150
Operating lease charges - plant and machinery	2,160	1,758
Operating lease charges - land and buildings	257,632	171,907
Auditors' remuneration	73,200	61,500
Group management charges	150,000	175,000

8. Directors' emoluments

	<u>1987</u> £	<u>1986</u> £
Executive remuneration	198,319	193,224
Executive remuneration includes:		
Chairman and highest paid director	48,057	43,475

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	1
£30,001 - £35,000	3	3

9. Staff numbers and costs

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

	<u>1987</u>	<u>1986</u>
Management, administration and sales	245	171
Production	489	373
	734	544

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

PROFIT AND LOSS ACCOUNT (continued)

9. Staff numbers and costs (continued)

The aggregate payroll cost was as follows:

	<u>1987</u> £	<u>1986</u> £
Wages and salaries	6,715,336	4,729,305
Social security costs	536,691	406,211
Other pension costs	<u>8,486</u>	<u>10,668</u>
	7,260,513	5,146,184
	=====	=====

10. Taxation

	<u>1987</u> £	<u>1986</u> £
UK corporation tax at 35% on profits for the year	882,249	-
Advance corporation tax recoverable	(706,257)	-
Deferred taxation	26,609	19,301
Overseas taxation	<u>1,632</u>	<u>1,301</u>
	204,233	20,602
	=====	=====

Advance corporation tax recoverable has been surrendered by Lonrho Plc.

UK corporation tax on profits for the year has been reduced by £71,000 (1986 - £803,000) because of losses brought forward and losses surrendered for no consideration by other companies in the Lonrho Plc group.

The group has losses for corporation tax purposes of £Nil (1986 - £39,000) 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 1987
(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 1986	1,702,321	83,961	5,357,857	939,434	20,281	8,103,854
Reclassifications	-	-	20,281	-	(20,281)	-
Additions	137,970	2,515	641,551	489,394	88,075	1,359,505
Assets acquired in new subsidiary	-	187,828	1,065,248	313,656	-	1,566,732
Group transfers	-	-	-	(4,318)	-	(4,318)
Disposals	-	-	(83,416)	(185,042)	-	(268,458)
At 30th September 1987	1,840,291	274,304	7,001,521	1,553,124	88,075	10,757,315
Depreciation:						
At 1st October 1986	200,402	35,402	3,522,537	429,147	-	4,187,488
Assets acquired in new subsidiary	-	123,563	639,259	167,236	-	930,058
Charge for the year	27,886	12,051	497,944	266,338	-	804,219
Group transfers	-	-	-	(11,255)	-	(11,255)
Disposals	-	-	(74,057)	(136,184)	-	(210,241)
At 30th September 1987	228,288	171,016	4,585,683	715,282	-	5,700,269
Net book amount:						
30th September 1987	<u>1,612,003</u>	<u>103,288</u>	<u>2,415,838</u>	<u>837,842</u>	<u>88,075</u>	<u>5,057,046</u>
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>

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

	<u>1987</u> £	<u>1986</u> £
Freehold land	332,500	332,500
Capital work in progress	<u>88,075</u>	<u>20,281</u>

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

BALANCE SHEET (continued)

11. Fixed assets - Tangible assets (continued)

<u>Company</u>	<u>Fixtures, fittings and equipment</u> £
Cost:	
At 1st October 1986	67,970
Additions	27,492
Intra group transfers	15,042
Disposals	<u>(34,076)</u>
At 30th September 1987	<u>76,428</u>
Depreciation:	
At 1st October 1986	50,875
Charge for the year	13,024
Intra group transfers	582
Disposals	<u>(23,487)</u>
At 30th September 1987	<u>40,994</u>
Net book amount:	
At 30th September 1987	<u>35,434</u> =====
At 30th September 1986	17,095 =====

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 1987 the listed value was £60,211 (1986 - £96,028). 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 1987
(continued)

BALANCE SHEET (continued)

12. Fixed assets - Investments (continued)

Company

Shares in subsidiaries

	£
Shares in group companies at cost:	
At 30th September 1986	5,542,060
Acquired during the year	<u>604,000</u>
At 30th September 1987	6,146,060
	<u>=====</u>

The company has the following principal subsidiaries at 30th September 1987 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.
Sheer Pride Limited	Manufacturers of office furniture.

* The interests in these companies are owned by subsidiaries.

13. Stocks

	<u>1987</u>	<u>1986</u>
	£	£
<u>Group</u>		
Raw materials and consumables	8,647,449	7,259,302
Work in progress	1,280,802	646,163
Finished goods and goods for resale	<u>584,259</u>	<u>492,480</u>
	10,512,510	8,397,945
	<u>=====</u>	<u>=====</u>

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

BALANCE SHEET (continued)

14. Debtors

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Trade debtors	13,907,979	10,090,482	-	-
Amounts owed by holding company	-	465,762	-	465,762
Amounts owed by fellow subsidiaries	214,298	334,693	-	-
Amounts owed by own subsidiaries	-	-	2,767,000	1,117,000
Other debtors	199,392	43,951	12,775	-
Prepayments and accrued income	<u>385,922</u>	<u>163,440</u>	<u>23,373</u>	<u>61,998</u>
	<u>14,707,591</u>	<u>11,098,328</u>	<u>2,803,148</u>	<u>1,644,760</u>
	=====	=====	=====	=====

15. Creditors

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Bank overdrafts	9,717,917	7,241,902	4,500,000	2,342,545
Trade creditors	9,698,258	7,926,230	-	-
Amounts owed to holding company	134,442	-	116,741	-
Amounts owed to fellow subsidiaries	6,131	63	-	-
Amounts owed to own subsidiaries	-	-	871,277	1,471,238
Other creditors:				
Corporation tax	175,992	-	-	-
Other taxation and social security	563,428	388,575	15,292	22,393
Hire purchase	564,812	363,306	12,956	5,425
Other	45,831	71,357	-	45,000
Accruals and deferred income	<u>1,004,703</u>	<u>412,150</u>	<u>21,422</u>	<u>35,516</u>
	<u>21,911,514</u>	<u>16,403,583</u>	<u>5,537,688</u>	<u>3,922,117</u>
	=====	=====	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

BALANCE SHEET (continued)

15. Creditors (continued)

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due after more than one year:				
Other creditors:				
Hire purchase (repayable within five years)	527,916	448,920	9,750	5,800
	=====	=====	=====	=====

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 1986	51,738
Acquired in new subsidiary	13,000
Charge for the year	<u>26,609</u>
At 30th September 1987	<u>91,347</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>1987</u>		<u>1986</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	464,243	464,243	370,227	370,227
Tax losses and other timing differences	(64,519)	(64,519)	(68,420)	(68,420)
Advance corporation tax available	(308,377)	(308,377)	(250,069)	(250,069)
Surplus arising on the revaluation of land and buildings	-	170,000	-	160,000
	<u>91,347</u>	<u>261,347</u>	<u>51,738</u>	<u>211,738</u>
	=====	=====	=====	=====

There is no potential liability for deferred taxation in respect of the company (1986 - £Nil).

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

BALANCE SHEET (continued)

17. <u>Called up share capital</u>	<u>1987</u>	<u>1986</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. <u>Reserves</u>	<u>Profit and loss account</u>
<u>Group</u>	£
At 1st October 1986	6,042,201
Retained profit for the financial year	<u>1,239,863</u>
At 30th September 1987	7,282,064
	=====
<u>Company</u>	
At 1st October 1986	2,809,921
Retained profit for the financial year	<u>279,919</u>
At 30th September 1987	3,089,840
	=====

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 £1,689,919 is dealt with in the financial statements of the holding company (1986 - £1,006,836).

19. Commitments

(a) Commitments under operating leases

At 30th September 1987 the group has annual commitments under operating leases as follows:

	<u>1987</u>		<u>1986</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	£	£	£	£
Expiring within 1 year	-	1,008	-	527
Expiring between 1 and 5 years	105,150	385	14,863	1,231
Expiring in over 5 years	<u>300,217</u>	<u>-</u>	<u>174,519</u>	<u>-</u>
	405,367	1,393	189,382	1,758
	=====	=====	=====	=====

FIRSTEEL MANUFACTURING LIMITED AND SUBSIDIARIES
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1987
(continued)

BALANCE SHEET (continued)

19. Commitments (continued)

(b) Obligations under finance leases

At 30th September 1987 the group has net obligations under finance leases as follows:

	<u>1987</u> £	<u>1986</u> £
Total net obligations under finance leases	158,141	34,226
	=====	=====
Repayable as follows:		
Within 1 year	54,146	8,264
Between 1 and 5 years	103,995	25,137
In over 5 years	-	825
	-----	-----
	158,141	34,226
	=====	=====

(c) Capital commitments

At 30th September 1987 the group has capital commitments as follows:

	<u>1987</u> £	<u>1986</u> £
Contracted for, but not provided in the accounts	102,290	93,057
Authorised by the directors, but not yet contracted for	72,875	12,914
	-----	-----
	175,165	105,971
	=====	=====

There are no capital commitments for the company (1986 - £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 1987 the amount of this contingent liability is £4,933,894 (1986 - £5,899,357).

21. 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.