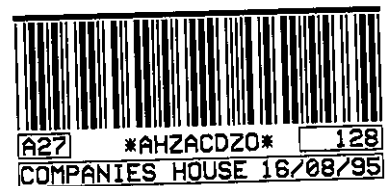


**ARMCO LIMITED
(FORMERLY ARMCO MERCHANDISING LIMITED)**

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST OCTOBER, 1994**



REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS 1994

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H. Schneider (Chairman)
B.D. Green (Managing Director)
B.D.H. Cooper
J.R. Scarborough
J.J. Allen (Appointed 30th November, 1993)

SECRETARY

B.D.H. Cooper

REGISTERED OFFICE

Suite 2,
Construction House,
Paddockhall Road,
Haywards Heath,
West Sussex.
RH16 1HE

BANKERS

Midland Bank plc.,
Station Place,
Letchworth,
Hertfordshire.
SG6 3AJ

AUDITORS

Watts Knowles,
Howard House,
121/123 Norton Way South,
Letchworth,
Herts.
SG6 1NZ

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DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31st October, 1994.

CHANGE OF NAME

Pursuant to a Special Resolution adopted at an Extraordinary General Meeting of the Company, the name of the Company was changed to Armco Limited on 12th May, 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The current business is principally concerned with the importation of speciality steel products from associated companies and licensed producers. Due to difficult trading conditions, turnover decreased to £2,371,607 (1993 £2,801,648) leading to a lower profit before taxation of £7,234 (1993 £25,485).

FUTURE PROSPECTS

The company's business activities will continue to be developed.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not propose a dividend for the year (1993 - £nil) and the retained profit for the year of £2,318 (1993 - £15,060) has been transferred to reserves.

FIXED ASSETS

Details of fixed assets owned during the year are stated in note 7 to the accounts.

STATEMENT OF THE RESPONSIBILITIES OF DIRECTORS

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

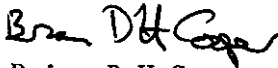
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

The present directors are shown on page 1. All directors served throughout the year, unless otherwise stated. J. R. Murphy resigned on 31st May, 1994.

None of the directors has any beneficial interest in the shares of the Company. The interest of the Directors in the shares of the ultimate holding company are not reported, since disclosure is exempted under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

By Order of the Board


Brian D H Cooper
Secretary

REPORT OF THE AUDITORS

To the Members of ARMCO LIMITED

We have audited the financial statements on pages 4 to 11, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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.

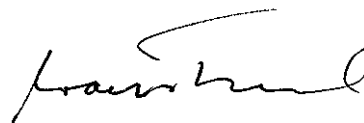
Basis of opinion

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 the company's affairs as at 31st October, 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



WATTS KNOWLES

Registered Auditors and
Chartered Accountants

Letchworth, Herts.

14th August, 1995

ARMCO LIMITED
(FORMERLY ARMCO MERCHANDISING LIMITED)

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PROFIT AND LOSS ACCOUNT
Year ended 31st OCTOBER, 1994

	Note	1994 £	1993 £
TURNOVER	2	2,371,607	2,801,648
Cost of sales		(2,117,446)	(2,525,556)
GROSS PROFIT		254,161	276,092
Administrative expenses		(261,169)	(276,425)
Other operating income	4	6,116	13,684
OPERATING LOSS (1993 PROFIT)	5	(892)	13,351
Other interest receivable and similar income		10,817	12,134
Interest payable		(2,691)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,234	25,485
Tax on profit on ordinary activities	6	(4,916)	(10,425)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,318	15,060
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		442,294	427,234
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		444,612	442,294
		=====	=====

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial years.

The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET

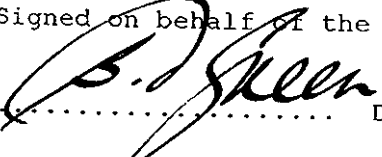
As at 31st OCTOBER, 1994

	Note	£	1994 £	£	1993 £
FIXED ASSETS					
Tangible assets	7		1,048		1,015
CURRENT ASSETS					
Stocks	8	203,899		279,147	
Debtors	9	1,129,556		763,972	
Cash at bank and in hand		233,068		491,808	
		<u>1,566,523</u>		<u>1,534,927</u>	
CREDITORS - amounts falling due within one year					
Trade creditors		290,167		223,799	
Amounts owed to fellow subsidiaries		229,918		285,513	
Corporation tax		4,794		10,360	
Other creditors, including taxation and social security		108,610		93,794	
Accruals and deferred income		34,470		25,182	
		<u>667,959</u>		<u>638,648</u>	
NET CURRENT ASSETS			898,564		896,279
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>899,612</u>		<u>897,294</u>
CAPITAL AND RESERVES					
Called up share capital	10		455,000		455,000
Profit and loss account			444,612		442,294
SHAREHOLDERS FUNDS	11		<u>899,612</u>		<u>897,294</u>

The notes on pages 8 to 11 form part of these financial statements.

These financial statements were approved by the Board of Directors on 1st June, 1995.

Signed on behalf of the Board of Directors


..... DIRECTOR
B.D. Green

CASH FLOW STATEMENT
Year ended 31st OCTOBER, 1994

	Note	1994	1993
		£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	1	(254,586)	(12,922)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		10,817	12,134
Interest paid		(2,691)	-
		<u> </u>	<u> </u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		8,126	12,134
TAXATION			
UK corporation tax paid		10,482	4,918
		<u> </u>	<u> </u>
TAX PAID		(10,482)	(4,918)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		1,798	-
		<u> </u>	<u> </u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,798)	-
NET CASH OUTFLOW BEFORE FINANCING		(258,740)	(5,706)
NET CASH OUTFLOW FROM FINANCING		-	-
		<u> </u>	<u> </u>
DECREASE IN CASH AND CASH EQUIVALENTS	2 & 3	(258,740)	(5,706)
		=====	=====

NOTES TO THE CASH FLOW STATEMENT
Year ended 31st OCTOBER, 1994

1. RECONCILIATION OF OPERATING PROFIT TO NET
CASH OUTFLOW FROM OPERATING ACTIVITIES

	1994 £	1993 £
Operating profit/(loss)	(892)	13,351
Depreciation	1,765	1,879
Decrease in stock	75,248	47,543
(Increase)/decrease in debtors	(365,584)	139,152
Increase/(decrease) in creditors	34,877	(214,847)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(254,586)	(12,922)
	=====	=====

2. ANALYSIS OF CHANGES OF CASH AND CASH EQUIVALENTS
DURING THE YEAR

Balance at 1st November, 1993	491,808
Net cash outflow	(258,740)

Balance at 31st October, 1994	233,068
	=====

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS
AS SHOWN IN THE BALANCE SHEET

	Change in year £	1994 £	1993 £
Cash at bank and in hand	(258,740)	233,068	491,808
	=====	=====	=====

NOTES TO THE ACCOUNTS
Year ended 31st OCTOBER, 1994

1. ACCOUNTING POLICIES

Accounting basis

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

Turnover

Turnover represents sales by the company to outside customers and fellow group companies excluding value added tax.

Depreciation

Depreciation is provided in equal instalments over the estimated useful lives of the assets and is calculated on the cost of the assets.

The following rates are used:

Plant and machinery	-	25% per annum
Office equipment	-	33.3% per annum

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the time of the transactions. Profits and losses on retranslation of assets and liabilities in foreign currencies at the balance sheet date are dealt with in the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. Details regarding the fund are included at note 13.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the lease.

2. TURNOVER

	1994	1993
	£	£
United Kingdom	2,254,086	2,709,886
Overseas	117,521	91,762
	<u>2,371,607</u>	<u>2,801,648</u>
	=====	=====

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Employee costs during the year:

Wages and salaries	102,602	100,777
Social security costs	8,627	9,118
Pension cost	4,499	9,272
	<u>115,728</u>	<u>119,167</u>
	=====	=====

Average number of persons employed:

	No.	No.
Sales and distribution	3	3
Administration	<u>1</u>	<u>1</u>
	<u>4</u>	<u>4</u>
	==	==

NOTES TO THE ACCOUNTS

Year ended 31st OCTOBER, 1994 (continued)

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Included in staff costs are the emoluments of the highest paid director, which amounted to £43,671 (1993 - £40,741) excluding pension contributions. None of the other directors received any emoluments in the year (1993 - £nil).

4. OTHER OPERATING INCOME

	1994	1993
	£	£
Commissions receivable	6,116	6,255
Foreign exchange gains	-	6,040
Miscellaneous	-	1,389
	<u>6,116</u>	<u>13,684</u>
	=====	=====

5. OPERATING PROFIT/(LOSS)

Profit on ordinary activities before taxation is after charging:		
Depreciation	1,765	1,879
Auditors' remuneration -		
as auditors	8,200	12,700
for other services	3,500	2,400
Operating lease rental	10,087	14,125
Foreign Exchange losses	9,892	-
	<u>=====</u>	<u>=====</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 33% (1993 - 33%) based on the profit for the year	4,794	10,852
Adjustment in respect of prior years	122	(427)
	<u>4,916</u>	<u>10,425</u>
	=====	=====

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Office equipment £	TOTAL £
Cost			
At 1st November, 1993	2,580	17,301	19,881
Additions	-	1,798	1,798
At 31st October, 1994	<u>2,580</u>	<u>19,099</u>	<u>21,679</u>
Depreciation			
At 1st November, 1993	2,580	16,286	18,866
Charge for the year	-	1,765	1,765
At 31st October, 1994	<u>2,580</u>	<u>18,051</u>	<u>20,631</u>
Net book value			
At 31st October, 1994	-	1,048	1,048
	=====	=====	=====
At 31st October, 1993	-	1,015	1,015
	=====	=====	=====

8. STOCKS

	1994	1993
	£	£
Goods for resale	203,899	279,147
	=====	=====

NOTES TO THE ACCOUNTS

Year ended 31st OCTOBER, 1994 (continued)

9. DEBTORS

	1994	1993
	£	£
Trade debtors	1,104,649	674,466
Amounts owed by fellow subsidiaries	3,470	20,772
Other debtors	7,562	54,863
Prepayments and accrued income	13,875	13,871
	<u>1,129,556</u>	<u>763,972</u>
	=====	=====

10. CALLED UP SHARE CAPITAL

Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
	=====	=====
Allotted and fully paid		
455,000 Ordinary shares of £1 each	455,000	455,000
	=====	=====

11. SHAREHOLDERS FUNDS

Profit for the financial year	2,318	15,060
	=====	=====
New addition to shareholders funds	2,318	15,060
Shareholders funds at 1st November, 1993	897,294	882,234
	<u>899,612</u>	<u>897,294</u>
	=====	=====

12. LEASING COMMITMENTS

At 31st October, 1994 the company had annual commitments under non-cancellable operating leases as set out below:

	1994	1993
	£	£
Operating leases which expire:		
Within one year	5,889	604
Within two to five years	2,821	7,982
After more than five years	132	-
	<u>8,842</u>	<u>8,586</u>
	=====	=====

All of the above are in respect of operating leases for assets other than land and buildings.

13. PENSION COSTS

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was as at 6th April, 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investments returns would be 9% per annum compound, that salary increase would average 7% per annum for general salary increases plus 0.5% per annum for promotional increases and future pensions would increase at the rate of 3% per annum.

The most recent actuarial valuation (as at 5th April, 1993) showed that the market value of the Scheme's assets was £712,545 and that the actuarial value of those assets represented 121% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

NOTES TO THE ACCOUNTS

Year ended 31st OCTOBER, 1994 (continued)

13. PENSION COSTS (continued)

The method and assumptions used in calculating contribution rates to the scheme are identical to those used for calculating the accounting cost. Consequently, no prepayment or provision in the balance sheet on account of pensions is required. The pension charge for the year ended 31st October, 1994 was £4,499 (1993 - £9,272).

14. CONTINGENT LIABILITIES

There is a Deferment Guarantee in favour of Customs & Excise to the extent of £55,000.

15. CAPITAL COMMITMENTS

There were no capital commitments at 31st October, 1994 not provided for in these financial statements.

16. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Armco Inc., a company incorporated in the United States of America. A copy of the group accounts of Armco Inc., may be obtained from Armco Inc., Executive Offices, One Oxford Centre, 301 Grant Street, Pittsburgh P.A. 15219 1415, United States of America.

ARMCO LIMITED
(FORMERLY ARMCO MERCHANDISING LIMITED)

PROFIT AND LOSS ACCOUNT
Year ended 31st OCTOBER, 1994

	£	£
Turnover		2,371,607
Cost of sales		(2,117,446)
		<hr/>
Gross profit		254,161
Administrative expenses:		
Wages and salaries	115,768	
Office expenses	7,760	
Insurance	6,719	
Travel	12,990	
Entertaining	6,104	
Advertising	1,259	
Telephone and fax	5,236	
Rents and leasing costs	53,130	
Bank charges	5,020	
Professional fees	29,960	
Provision for doubtful debts	5,074	
Depreciation	966	
Loss on foreign exchange	9,892	
Other expenses	1,291	
	<hr/>	
	261,169	
Other operating income:		
Commissions received	6,116	
	<hr/>	
		(255,053)
Operating loss		(892)
Interest receivable		10,817
Interest payable		(2,691)
		<hr/>
PROFIT BEFORE TAXATION		7,234
		=====

Note: The charge for depreciation of £966 is stated after crediting £799, which was the amount recharged to a non-group company for use of equipment.