

Acciai Speciali Terni (UK) Limited

**Directors' report and financial
statements**

Registered number 1569434

For the year ended 30 September 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2001.

Principal activities

The principal activities of the company are those of distributors of Italian steel products.

Review of business

The year has been very difficult due to two main factors resulting in a loss of volume for AST (UK) Limited. The first four months of our financial year saw historically low demand for stainless steel flat products. This was caused mainly by recessionary pressures in mainland Europe during the summer of 2000 resulting in lower demand than had been anticipated. The producers has been experiencing very high capacity bookings until this point, allowing them to increase prices significantly. A large portion of these bookings were a consequence of stockholders speculating on further price increases in the hope of making stock value gains. Unfortunately most of this material was delivered into the market before it became apparent that the real demand was much weaker than expected, resulting in severe overstocking and the consequent rapid fall in price, and indeed confidence. There followed a period of de-stocking reflected in out lower volumes in the market.

From February 2001 supply and demand became more balanced and our deliveries to the market began to increase along with forward order bookings. This allowed the producers to begin to increase prices again and once more confidence began to be restored. Our volumes continued to recover until June and then regretfully our parent company, which is our sole supplier, ran into production problems resulting in a significant fall in supplies, limiting our ability to service the increasing demand, and ultimately lost and cancelled orders.

The effect of these two factors has been a reduction of some 2000 tonnes compared to the previous year and 4000 tonnes compared to two years ago. At the time of writing the supply problems still persist and this is coinciding with another slow down in demand, it is anticipated that the new financial year will commence under these continued difficult conditions.

The results for the profit and loss account are shown on page 5.

Dividends

The directors do not recommend the payment of a dividend (2000: £Nil).

Directors and directors' interests

The directors of the company during the year were as follows:

BD Newitt
A Angelini
M Borghesi

The directors have no interests in the shares of the company. Interests in the shares of the parent undertaking are shown in the financial statements of that company.

Charitable donations

During the financial year, the company made charitable donations of £35 (2000: £274).

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



BD Newitt
Director

3 Cloth Street
Long Lane
London
EC1A 7LD

21 November 2001

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 of the profit or loss 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;
- 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 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 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Acciai Speciali Terni (UK) Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

21 November 2001

Profit and loss account
for the year ended 30 September 2001

	<i>Note</i>	2001 £	2000 £
Turnover	2	13,147,649	15,383,626
Cost of sales		(12,324,016)	(14,407,312)
Gross profit		823,633	976,314
Distribution costs		(328,625)	(331,586)
Administrative expenses		(480,116)	(468,479)
Operating profit		14,892	176,249
Interest receivable and similar income		10,461	28,733
Interest payable and similar charges	6	(2,208)	(560)
Profit on ordinary activities before taxation	3	23,145	204,422
Tax on profit on ordinary activities	7	(980)	(70,456)
Retained profit for the year	15	22,165	133,966

A statement of movements on reserves is given in note 15.

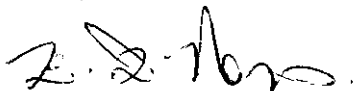
All amounts relate to continuing operations.

There were no recognised gains or losses in the period other than the profit for the financial period.

Balance sheet
at 30 September 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	8	242,613	221,797
Current assets			
Stocks	9	900,372	508,204
Debtors	10	3,604,002	5,016,672
Cash at bank and in hand		665,027	187,054
		<u>5,169,401</u>	<u>5,711,930</u>
Creditors: Amounts falling due within one year	11	<u>(5,040,541)</u>	<u>(5,589,151)</u>
Net current assets		128,860	122,779
Total assets less current liabilities		371,473	344,576
Provisions for liabilities and charges	12	(14,740)	(10,008)
Net assets		356,733	334,568
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account	15	256,733	234,568
Equity shareholders' funds	16	356,733	334,568

These financial statements were approved by the board of directors on 21 November 2001 and were signed on its behalf by:



BD Newitt
 Director

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 company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Tangible fixed assets

Depreciation is provided so as 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:

Office equipment	25%
Fixtures and fittings	20%
Factory equipment	10%

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company.

Stocks and work in progress

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the period 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.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Acciai Speciali Terni SpA. The consolidated financial statements of Acciai Speciali Terni SpA are publicly available (see note 18).

Notes (continued)

2 Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of goods and services to customers.

Analysis of turnover by geographical market is as follows:

	2001 £	2000 £
United Kingdom (including the Irish Republic)	12,973,070	14,982,615
Europe	174,579	401,011
	<hr/>	<hr/>
	13,147,649	15,383,626
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation of tangible fixed assets	47,945	36,706
Auditors' remuneration:		
Audit services	7,380	8,200
Non-audit services	8,200	8,050
Hire of plant and machinery - operating leases	11,514	23,952
Hire of other assets - operating leases	26,618	25,913
Property costs - operating leases	118,440	118,440
	<hr/>	<hr/>

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	86,778	86,736
Company contributions to money purchase pension schemes	4,620	4,560
	<hr/>	<hr/>
	91,398	91,296
	<hr/>	<hr/>
	Number	Number
Number of directors who are members of money purchase pension schemes	1	1
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons (including executive directors) employed by the company during the year were:

	Number of employees	
	2001	2000
Selling and distribution	7	7
Administration	5	7
	<u>12</u>	<u>14</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	369,134	405,311
Social security costs	38,488	45,830
Other pension costs (see note 13)	19,604	22,075
	<u>427,226</u>	<u>473,216</u>

6 Interest payable and similar charges

	2001	2000
	£	£
On bank loans and overdrafts	<u>2,208</u>	<u>560</u>

7 Tax on profit on ordinary activities

	2001	2000
	£	£
UK corporation tax	4,756	64,992
Adjustment relating to an earlier year - corporation tax	(8,508)	(4,544)
Deferred taxation movement	4,732	10,008
	<u>980</u>	<u>70,456</u>

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Fixtures and fittings £	Factory equipment £	Total £
<i>Cost</i>				
At beginning of year	63,505	19,803	220,778	304,086
Additions	28,434	-	40,327	68,761
At end of year	91,939	19,803	261,105	372,847
<i>Depreciation</i>				
At beginning of year	48,466	13,234	20,588	82,289
Charge for year	19,003	3,961	24,982	47,945
At end of year	67,469	17,195	45,570	130,234
<i>Net book value</i>				
At 30 September 2001	24,470	2,608	215,535	242,613
At 30 September 2000	15,039	6,568	200,190	221,797

9 Stocks

	2001 £	2000 £
Finished goods and goods for resale	900,372	508,204

Consignment stocks

At 30 September 2001, the company held £551,954 (2000: £2,904,708) of stocks on consignment from Acciai Speciali Terni SpA. These stocks are returnable at the option of the company and no penalty is payable. No deposit has been paid on these stocks.

10 Debtors

	2001 £	2000 £
Trade debtors	3,457,131	4,196,185
Amounts owed by group undertakings	91,893	756,068
Other debtors	12,845	12,133
Prepayments and accrued income	42,133	52,286
	3,604,002	5,016,672

Notes (continued)

11 Creditors: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	115,541	83,100
Amounts owed to group undertakings	4,539,140	5,053,612
Corporation tax	61,240	64,992
Other taxes and social security	300,105	340,203
Accruals and deferred income	24,515	47,244
	<u>5,040,541</u>	<u>5,589,151</u>

12 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	10,008
Charge for the year	4,732
At end of year	<u>14,740</u>

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

	2001		2000
	Provided £	Unprovided £	Provided £
Accelerated capital allowances	<u>14,740</u>	-	<u>10,008</u>
			-

13 Pension obligations

Acciai Speciali Terni (UK) Limited, as the employer, contributes to a series of personal pension policies which, to all intents and purposes, operate as a defined contribution company scheme. This arrangement is known as the AST (UK) Group Personal Pension Plan. This series of individual personal pension plans is set up by contract between the employee and the pension provider, Scottish Equitable. As the contract is between the employee and Scottish Equitable, Acciai Speciali Terni (UK) Limited has not set up a Trust Deed and rules and are not Trustees.

The pension cost charge represents contributions payable by the company to the pension plans and amounted to £19,604 (2000: £22,075). There were no outstanding or prepaid contributions at either the beginning or end of the financial year

14 Called up share capital

	2001 £	2000 £
<i>Authorised, allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Notes (continued)

15 Profit and loss account

	£
At beginning of year	234,568
Retained profit for the year	22,165
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At end of year	256,733
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16 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Shareholders' funds at beginning of year	334,568	200,602
Profit for the year	22,165	133,966
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Shareholders' funds at end of year	356,733	334,568
	<hr/>	<hr/>

17 Financial commitments

At 30 September 2001, the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
In respect of land and buildings:		
Expiring in over five years	118,440	118,440
	<hr/>	<hr/>
In respect of other operating leases:		
Expiring between one and two years	10,687	8,798
Expiring between two and five years	5,089	25,434
	<hr/>	<hr/>
	15,776	34,232
	<hr/>	<hr/>
Capital commitments contracted for:	-	-
	<hr/>	<hr/>

18 Ultimate parent undertaking

The smallest group in which the results of Acciai Speciali Terni (UK) Limited are consolidated is that headed by Acciai Speciali Terni SpA incorporated in Italy. The consolidated financial statements for this group are available from Acciai Speciali Terni SpA, Viale B.Brin 218, 05100 TERNI (Italy). The ultimate parent company and controlling party is ThyssenKrupp AG, a company incorporated in Germany. The consolidated financial statements for this group are available from ThyssenKrupp AG, August Thyssen Strasse 1, D-40211, Düsseldorf, Germany.

19 Related party transactions

The company has not disclosed transactions with other ThyssenKrupp AG group companies under the exemption afforded by Financial Reporting Standard No 8.