

Birmingham Metal Co Limited

Directors' report and financial statements

For the year ended 31 December 1997

Registered number 02145002



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the company is the processing of and trading in precious metals and it is intended that there will be no material departure from this activity in the foreseeable future.

Business review

The results for the year ended 31 December 1997 are shown in the profit and loss account on page 5 and show a profit for the year of £11,210 (1996: loss £18,230) which will be transferred to reserves.

Post balance sheet event

On 25 February 1999, the authorised share capital was increased to 200 ordinary £1 shares. At that stage, Birmingham Metal Holdings Limited held the whole of the issued share capital of 2 ordinary £1 shares.

On 25 February 1999, the company allotted 96 ordinary £1 shares (credited as fully paid up) to Birmingham Metal Holdings Limited. On the same date, the company allotted 102 ordinary £1 shares (credited as fully paid up) to Metech Europe Limited for a consideration of £125,000.

Dividends

No dividend is proposed.

Directors and directors' interests

The company's directors are as follows:

TA Roberts

M Evans (appointed 25 February 1999)

R Hodges (appointed 25 February 1999)

The interests of Mr TA Roberts in the share capital of the parent company, Birmingham Metal Holdings Limited, are disclosed in the accounts of that company. Mr M Evans and Mr R Hodges have no interest in the share capital or share options of the company.

Year 2000

The company is in the process of carrying out a review of its accounting and operational systems to identify areas where year 2000 compliance is necessary. Rectification work will be carried out on any areas of non-compliance but, given the complexity of the problem, it is impossible to guarantee that no year 2000 problems will remain.

In accordance with company accounting policies, any remedial costs will be written off as incurred.

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



R Hodges
Secretary

Garrison Street
Bordesley
Birmingham
B9 4BN

26 November 1999

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 year. 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 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Birmingham Metal Co Limited

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

Respective responsibilities of directors and auditors

As described on page 3, 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 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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

A handwritten signature in dark ink, appearing to be 'KPMG' with a stylized flourish at the end.

KPMG
Chartered Accountants
Registered Auditors

26 November 1999

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	Continuing operations	
		1997	1996
		£	£
Turnover	2	1,932,238	1,784,509
Cost of sales		(1,693,698)	(1,595,564)
		<hr/>	<hr/>
Gross profit		238,540	188,945
Distribution costs		(56,025)	(60,932)
Administrative expenses		(121,414)	(112,072)
		<hr/>	<hr/>
Operating profit		61,101	15,941
Interest payable	5	(48,297)	(39,748)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	6	12,804	(23,807)
Tax on profit/(loss) on ordinary activities	7	(1,594)	5,577
		<hr/>	<hr/>
Profit/(loss) for the financial year		11,210	(18,230)
Deficit brought forward		(29,208)	(10,978)
		<hr/>	<hr/>
Deficit carried forward		(17,998)	(29,208)
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the result for the current and preceding years.

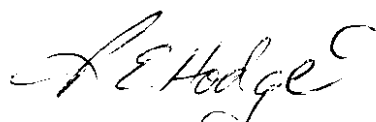
Balance sheet
at 31 December 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		241,620		250,870
Current assets					
Stocks	9	121,028		179,762	
Debtors	10	511,585		320,682	
		<u>632,613</u>		<u>500,444</u>	
Creditors: Amounts falling due within one year	11	<u>(882,482)</u>		<u>(769,395)</u>	
Net current liabilities			<u>(249,869)</u>		<u>(268,951)</u>
Total assets less current liabilities			<u>(8,249)</u>		<u>(18,081)</u>
Creditors: Amounts falling due after more than one year	12		-		(2,972)
Provisions for liabilities and charges	13		(9,747)		(8,153)
Net liabilities			<u>(17,996)</u>		<u>(29,206)</u>
Capital and reserves					
Called up share capital	14		2		2
Profit and loss account			<u>(17,998)</u>		<u>(29,208)</u>
Equity shareholders' funds	15		<u>(17,996)</u>		<u>(29,206)</u>

These financial statements were approved by the board on 26 November 1999 and signed on its behalf by:



TA Roberts
Director



R Hodges
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards.

The company is currently funded through bank overdrafts which are repayable on demand and fell due for renewal on 31 August 1999. On 25 February 1999, the company became a subsidiary of Metech Europe Limited, the UK subsidiary of Metech Inc, a US company. The directors are currently reviewing the future funding arrangements of the company, which include renegotiating bank facilities, funding from the parent company and metal leasing. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis, as they believe satisfactory funding arrangements will be made to enable the company to continue to trade during the next twelve months.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Plant and machinery, tools and equipment	-	10 years
Motor vehicles	-	4 years
Fixtures and fittings	-	8 years
Computer equipment	-	4 years

Stocks

Stocks have been valued at the lower of FIFO cost and net realisable value. Cost includes the cost of base metal.

Finance leases

Assets held under finance leases are capitalised and the capital element of future repayments is included within creditors. Finance charges are allocated to the profit and loss account on a straight line basis over the period of the lease agreement.

Operating leases

Payments under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation, calculated on the liability method at the appropriate rate, is provided in respect of the taxation effect of timing differences to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Cash flow

The company is exempt from the requirement to produce a cash flow statement under the requirements of FRS1. The company is entitled to the exemption available in sections 246 to 249 of the Companies Act 1985 for small companies.

Related party transactions

As the company voting rights are controlled within the group headed by Birmingham Metal Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has not therefore disclosed details of transactions or balances with entities which are part of the Birmingham Metal Group.

Notes (continued)

1 Accounting policies (continued)

Metal current account

The company purchases metal on behalf of some customers with money forwarded on advance by those customers.

At the end of the accounting period, money forwarded on advance which has not been spent is shown under creditors falling due within one year. Stock held at the year end which has been purchased with money advanced by the customer is not shown on the balance sheet because the company does not own the stock.

2 Turnover

Turnover represents amounts invoiced by the company in the United Kingdom in respect of goods supplied during the year, excluding value added tax.

3 Staff numbers and costs

	Number of employees	
	1997	1996
Average number of employees	6	7
	<hr/>	<hr/>
Aggregate payroll costs of persons employed:		
	£	£
Wages and salaries	117,387	99,788
Social security costs	10,991	9,641
	<hr/>	<hr/>
	128,378	109,429
	<hr/>	<hr/>

4 Directors' remuneration

The director who served during the year received no remuneration for his services to the company.

5 Interest payable

	1997	1996
	£	£
On bank loans and overdrafts	46,854	39,144
Under hire purchase and finance lease agreements	1,443	604
	<hr/>	<hr/>
	48,297	39,748
	<hr/>	<hr/>

Notes (continued)

6 Profit/(loss) on ordinary activities before taxation

	1997 £	1996 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation	48,946	45,578
Auditors' remuneration:		
Audit	6,800	5,950
Other services	2,000	1,600
Finance lease rentals for plant and machinery		-
Operating lease rentals for premises	22,250	29,000
	<u> </u>	<u> </u>

7 Tax on profit/(loss) on ordinary activities

	1997 £	1996 £
Group relief receivable	-	(4,052)
Deferred tax	1,594	(1,525)
	<u> </u>	<u> </u>
	1,594	(5,577)
	<u> </u>	<u> </u>

There was no unprovided deferred tax (1996: £Nil).

8 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>			
At beginning of year	368,500	62,839	431,339
Additions	25,500	14,196	39,696
	<u> </u>	<u> </u>	<u> </u>
At end of year	394,000	77,035	471,035
	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>			
At beginning of year	143,310	37,159	180,469
Charge for the year	41,508	7,438	48,946
	<u> </u>	<u> </u>	<u> </u>
At end of year	184,818	44,597	229,415
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 31 December 1997	209,182	32,438	241,620
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1996	225,190	25,680	250,870
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

8 Tangible fixed assets (continued)

The net book value of assets held under finance leases at the end of the year was £3,242 (1996: £8,760). Depreciation for the year in respect of these assets was £1,621 (1996: £3,570).

9 Stocks

	1997 £	1996 £
Raw materials	121,028	179,762

The company also holds precious metal on behalf of customers for processing, with a total value at 31 December 1997 of £149,766.

10 Debtors

	1997 £	1996 £
Trade debtors	207,446	175,050
Amounts owed by group undertakings	297,818	117,037
Prepayments and accrued income	6,321	24,543
Group relief receivable	-	4,052
	<u>511,585</u>	<u>320,682</u>

11 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	333,600	340,367
Trade creditors	63,412	37,426
Loan in respect of debts factored with recourse to company	181,709	131,123
Obligations under finance leases	1,081	3,792
Other creditors including taxation and social security	269,415	240,700
Accruals and deferred income	33,265	15,987
	<u>882,482</u>	<u>769,395</u>

Other creditors including taxation and social security comprises the following:

VAT	48,219	27,611
Social security	9,464	5,082
Metal current account	211,732	208,007
	<u>269,415</u>	<u>240,700</u>

The bank overdraft of the company is secured by a fixed charge over book debts and a floating charge over all other assets.

The other loan is secured by a charge over certain factored debts.

Notes (continued)

12 Creditors: Amounts falling due after more than one year

	1997 £	1996 £
Obligations under finance leases	-	2,972
	<u> </u>	<u> </u>

13 Provisions for liabilities and charges

The amount provided for deferred taxation, which is the full potential liability calculated on the liability basis is set out below:

	1997 £	1996 £
Accelerated capital allowances	16,312	17,274
Other timing differences	(840)	(720)
Losses carried forward	(5,725)	(8,401)
	<u> </u>	<u> </u>
	9,747	8,153
	<u> </u>	<u> </u>

Deferred taxation movement

	£
At beginning of year	8,153
Charge to the profit and loss account	1,594
	<u> </u>
At end of year	9,747
	<u> </u>

14 Called up share capital

	1997 £	1996 £
<i>Authorised:</i>		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

15 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
Profit/(loss) for the financial year	11,210	(18,230)
Opening shareholders' funds	(29,206)	(10,976)
	<u> </u>	<u> </u>
Closing shareholders' funds	(17,996)	(29,206)
	<u> </u>	<u> </u>

Notes (continued)

16 Contingent liabilities

The company has given an unlimited multi-lateral guarantee in respect of the obligations of Birmingham Metal Holdings Limited to the group's bankers. At 31 December 1997, the amounts guaranteed totalled £21,363 (1996: £13,350).

17 Operating lease commitments

There are no material operating lease commitments, in either this year or the prior year.

18 Capital commitments

There were no commitments for capital expenditure at 31 December 1997 (1996: £Nil).

19 Ultimate parent company

The company is a wholly owned subsidiary of Birmingham Metal Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The consolidated statements of the group are available upon application to the company secretary at:

Birmingham Metal Holdings Limited
Garrison Lane
Bordesley
Birmingham
B9 4BN

20 Ultimate controlling party

The ultimate controlling party is TA Roberts, the director and sole shareholder of Birmingham Metal Holdings Limited. Transactions with him are disclosed in note 21.

21 Related party transactions

Transactions with directors

- (i) Birmingham Metal Co Limited pays rates on behalf of Birmingham Metal Co, a sole trade owned by TA Roberts and recharges the sole trader. At the year end £nil (1996: £5,552) was outstanding in the books of Birmingham Metal Co Limited from the sole trader.
- (ii) Birmingham Metal Co Limited sell metal on behalf of Birmingham Metal Co and takes 5% of turnover value as commission. During 1997, £568,539 (1996: £505,479) of sales were made.
- (iii) Birmingham Metal Co provides and recharges ad hoc staff and maintenance services to Birmingham Metal Co Limited. During the year, £28,000 of such recharges were made.

All trading transactions which Birmingham Metal Co Limited entered into with Birmingham Metal Co were in the normal course of business and on an arm's length basis.