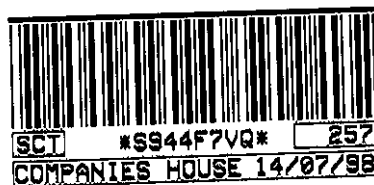


**BONE STEEL LTD.**  
**REPORT AND ABBREVIATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM**  
**23rd SEPTEMBER 1996 TO 31st OCTOBER 1997**

Company No. 168428

*Ch*



**DIRECTORS' REPORT**

The Directors submit their Report and abbreviated Financial Statements of Bone Steel Ltd. for the period from 23rd September 1996 to 31st October 1997.

The Company was incorporated on 23rd September 1996. It commenced trading on 1st November 1996. On this date, the Holding Company, Bone Group Ltd., transferred its trade and certain assets and liabilities to the Company.

**RESULTS AND DIVIDEND**

The profit on ordinary activities, after taxation for the period, amounted to £360,962.

The Directors recommend a dividend should not be paid this period.

**REVIEW OF THE BUSINESS**

The principal activity during the period was that of constructional steelwork along with related activities.

The year again saw improved trading conditions, but as always, they were particularly competitive with profit margins on contracts still low. Once again, turnover increased, as efficiencies instigated through the period came to fruition. Once more, however, the industry outlook is uncertain, albeit in the longer term, but the Company is well positioned to look forward and take advantage of all opportunities as they arise.

**DIRECTORS AND THEIR INTERESTS**

The Directors who served during the period and their interests in the Share Capital were as follows:-

	<b>Appointed</b>
A.A.H. BONE (Managing Director)	23. 9.96
T. CUNNINGHAM	23. 9.96
A. GILROY	23. 9.96
W. McCANN	23. 9.96
A. McGUINNESS	23. 9.96
G. McKENNA	1.11.96
J.N. MACLEAN	26. 6.97

Mr. T. Cunningham resigned as an Executive Director on 17th July 1997 and was re-appointed as a non-Executive Director on 26th August 1997.

Mr. A. McGuinness resigned as a Director on 4th November 1997.

None of the Directors had any interests in the shares of the Company.

Mr. A.A.H. Bone holds 28,032 shares in Bone Group Ltd.

DIRECTORS' REPORT (Contd.)

AUDITORS

Messrs. Alexander Sloan & Co., C.A., were appointed as Auditors during the period. They have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in cursive script, appearing to read "Alexander A Bone".

A.A.H. BONE  
Secretary

WISHAW, 16th March 1998

PERIOD ENDED 31st OCTOBER 1997

**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 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 judgments 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 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.

The Directors confirm that the Financial Statements comply with the above requirements.

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated Accounts on pages 5 to 11 together with the Financial Statements of the Company for the period ended 31st October 1997 prepared under Section 226A of the Companies Act 1985.

**Respective Responsibilities of Directors and Auditors**

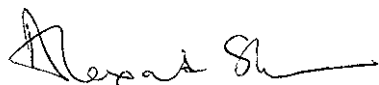
The Directors are responsible for preparing the abbreviated Accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the Company is entitled to deliver abbreviated Accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the Accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**Basis of Opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the Financial Statements, that the Company is entitled to deliver abbreviated Accounts and that the abbreviated Accounts to be delivered are properly prepared. The scope of our work for the purpose of this Report does not include examining or dealing with events after the date of our Report on the full Financial Statements.

**Opinion**

In our opinion the Company is entitled to deliver abbreviated Accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 and the abbreviated Accounts on pages 5 to 11 are properly prepared in accordance with those provisions.



ALEXANDER SLOAN & CO., C.A.  
Registered Auditors

GLASGOW, 16th March 1998

## ABBREVIATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31st OCTOBER 1997

	Notes	1997
		£
Gross Profit		1,260,084
Distribution Costs		11,387
Administration Costs		783,239
		<hr/>
		794,626
Profit on ordinary activities before taxation	3	465,458
Taxation	6	104,496
		<hr/>
Retained Profit for the period		360,962
Balance brought forward from previous year		<hr/>
		—
Balance of unappropriated profits carried forward		<u>360,962</u>

## Recognised Gains and Losses

The Company made no recognised gains or losses in the period other than the profit for the period.

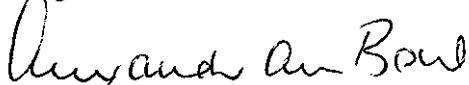
## ABBREVIATED BALANCE SHEET

AS AT 31st OCTOBER 1997

	Notes	1997 £
<b>FIXED ASSETS</b>		
Tangible Assets	7	57,778 -----
<b>CURRENT ASSETS</b>		
Stocks	8	1,342,409
Debtors	9	3,339,246
Cash at Bank and on Hand		313,118
		-----
		4,994,773
<b>CREDITORS</b> - Amounts falling due within one year	10	4,671,589 -----
<b>NET CURRENT ASSETS</b>		323,184 -----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>380,962</u>
<b>CAPITAL AND RESERVES</b>		
Called up Share Capital	11	20,000
Profit and Loss Account		360,962
		-----
<b>TOTAL SHAREHOLDERS' FUNDS</b>	14	<u>380,962</u>

The abbreviated Accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies, were approved by the Board of Directors on 16th March 1998.

Signed on behalf of the Board



**A.A.H. BONE**  
Director

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31st OCTOBER 1997

## 1. ACCOUNTING POLICIES

## a) Accounting Convention

The Financial Statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

## b) Depreciation

Depreciation is provided on all tangible fixed assets using the reducing balance method, at rates calculated to write off the cost less any estimated residual value, of each asset over its estimated useful life, as follows:-

Furniture and Fittings     -   10%

## c) Stocks

Stocks have been valued at the lower of cost and net realisable value.

Work-in-Progress has been valued at cost of direct materials, labour and attributable overheads less any anticipated losses and progress payments received.

## d) Deferred Taxation

The Directors consider it unlikely that a liability for Deferred Tax will arise in the foreseeable future and no provision has been made. The potential liability not provided for amounts to £2,989.

## 2. TURNOVER

Turnover represents the amount of invoiced sales net of Value Added Tax and adjusted for changes in work-in-progress and excludes intra-company sales. All results arise from continuing activities.

## 3. OPERATING PROFIT

1997

£

This is stated after charging:-

Auditors' Remuneration:-

    Audit Services

7,000

    Non-Audit Services

500

Depreciation - Tangible Fixed Assets

6,421

---



## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (Contd.)

FOR THE PERIOD ENDED 31st OCTOBER 1997

## 4. DIRECTORS' REMUNERATION

1997

£

Emoluments	289,864
Pension Contributions to Money Purchase Pension Scheme	48,804
Ex-gratia Payment	30,000

---

368,668

The emoluments of the highest paid Director,  
excluding pension contributions were

88,886

Pension Contributions to  
Money Purchase Pension Scheme

40,957

## 5. STAFF COSTS

The average weekly number of employees  
during the period was made up as follows:-

Number

Office and Management	60
Manufacturing	121

---

181

Staff costs during the period amounted to:-

£

Wages and Salaries	2,509,134
Social Security Costs	225,923
Other Pension Costs	77,301

---

2,812,358

## 6. TAXATION

Corporation Tax at 30.8%

104,496

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (Contd.)

FOR THE PERIOD ENDED 31st OCTOBER 1997

## 7. TANGIBLE FIXED ASSETS

	Furniture and Fittings £	Total £
<b>Cost</b>		
At 23rd September 1996	-	-
Transfer from Holding Company	63,980	63,980
Additions	40,660	40,660
	<hr/>	<hr/>
At 31st October 1997	<u>104,640</u>	<u>104,640</u>
<b>Depreciation</b>		
At 23rd September 1996	-	-
Transfer from Holding Company	40,441	40,441
Charge for period	6,421	6,421
	<hr/>	<hr/>
At 31st October 1997	<u>46,862</u>	<u>46,862</u>
<b>Net Book Values</b>		
At 31st October 1997	<u>57,778</u>	<u>57,778</u>

## 8. STOCKS

	1997 £
Raw Materials and Consumables	115,276
Work-in-Progress	1,227,133
	<hr/>
	<u>1,342,409</u>

## 9. DEBTORS

Trade Debtors	3,055,650
Amounts receivable from Parent Company	247,111
Other Debtors	14,613
Prepayments	21,872
	<hr/>
	<u>3,339,246</u>

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (Contd.)

FOR THE PERIOD ENDED 31st OCTOBER 1997

10. CREDITORS - Amounts falling due within one year	1997 £
Trade Creditors	3,565,624
Amounts owed to Group Undertakings	588,125
Other Taxation and Social Security	269,744
Other Creditors including Accruals	143,600
Corporation Tax	104,496
	<hr/>
	<u>4,671,589</u>
11. SHARE CAPITAL	
Authorised	
Ordinary Shares of £1 each	<u>100,000</u>
Issued Fully Paid	
Ordinary Shares of £1 each	<u>20,000</u>
During the period 20,000 shares of £1 were issued at par.	
12. CAPITAL COMMITMENTS	
Authorised and contracted	<u>Nil</u>
13. PENSION SCHEMES	
The Company operates a number of defined contribution Pension Schemes. The assets of the Schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £77,301.	
No contributions were payable to the funds at the period end.	
14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997 £
Profit for the Financial Period	360,962
Shares issued in period	20,000
	<hr/>
	<u>380,962</u>

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (Contd.)

FOR THE PERIOD ENDED 31st OCTOBER 1997

15. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned Subsidiary of Bone Group Ltd.

16. CONTINGENT LIABILITY

Bone Steel Ltd. has provided an unlimited guarantee to the Royal Bank of Scotland to cover balances owed to the Bank by its Holding Company, Bone Group Ltd. and its fellow Subsidiary, Enob Treatments Ltd.