

AVON STEEL COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
31st December 1996

Registered number: 1346397

BERKELEY JACKSON
CHARTERED ACCOUNTANTS



AVON STEEL COMPANY LIMITED

FINANCIAL STATEMENTS

for the year ended 31st December 1996

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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AVON STEEL COMPANY LIMITED

COMPANY INFORMATION

31st December 1996

NUMBER	1346397
DIRECTORS	T C G Parson J C D Goldschmidt J R Bryant
SECRETARY	T C G Parson
REGISTERED OFFICE	The Old Mill Park Road Shepton Mallet Somerset
BANKERS	Bank of Scotland 38 Threadneedle Street London EC2P 2EH
AUDITORS	Berkeley Jackson Chartered Accountants The Old Mill Park Road SHEPTON MALLET Somerset

AVON STEEL COMPANY LIMITED

DIRECTORS' REPORT

31st December 1996

The directors present their report and the audited financial statements for the year ended 31st December 1996.

Principal activity

The principal activity of the company continued to be that of Steel Trading and Stock Holding.

Review of the Business

In very difficult market conditions with sharply falling prices, the company achieved a small increase in turnover from its continuing operations. Against this background the Directors are pleased to be able to report a profit before tax of £56,561 and an increase in shareholders funds to £214,939. The current year has started strongly and slightly ahead of budget.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st December 1996		1st January 1996	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
T C G Parson	40,000	650	40,000	650
J C D Goldschmidt	77,500	205	77,500	205
J R Bryant	-	-	-	-

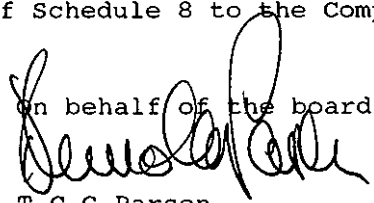
Auditors

Messrs Berkeley Jackson have expressed a willingness to continue in office and a resolution will be proposed at the Annual General Meeting.

Small company exemptions

Advantage has been taken in the preparation of this report of special exemptions applicable to small companies provided by Part II of Schedule 8 to the Companies Act 1985.

On behalf of the board


T C G Parson
Secretary

The Old Mill
Park Road
Shepton Mallet
Somerset

Dated: 54 June 1997

AVON STEEL COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

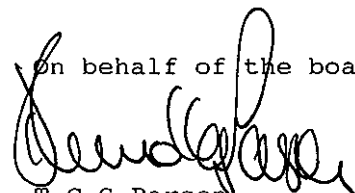
We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

On behalf of the board



T C G Parson
Director

AUDITORS' REPORT TO THE MEMBERS OF
AVON STEEL COMPANY LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 7.

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 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.

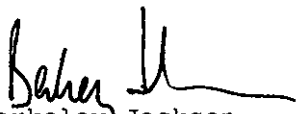
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. 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 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

SHEPTON MALLETT

Dated: 5th June 1997


Berkeley Jackson
Registered Auditors
Chartered Accountants

AVON STEEL COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1996

		1996		1995 as re-stated	
	Note	£	£	£	£
Turnover	2				
Continuing operations		2,600,152		2,547,423	
Discontinued operations		-		92,381	
Cost of sales	4		2,600,152 (1,976,716)		2,639,804 (1,992,482)
Gross profit			623,436		647,322
Net operating expenses	4				
Distribution costs			(60,993)		(63,804)
Administrative expenses			(490,772)		(504,648)
Other operating income			-		1,668
Operating profit	3				
Continuing operations			71,671		102,869
Discontinued operations			-		(22,331)
Interest receivable and similar income	6		71,671 -		80,538 65
Interest payable and similar charges	7		(15,110)		(14,648)
Profit on ordinary activities before taxation			56,561		65,955
Taxation			(11,663)		(14,994)
Profit on ordinary activities after taxation			44,898		50,961
Dividends (including non-equity interests)	8		(7,050)		(11,215)
Retained profit for the year	18		37,848		39,746

Movements in reserves are shown in the notes to the financial statements.

There are no recognised gains and losses in 1996 or 1995 other than the profit for the year.

AVON STEEL COMPANY LIMITED

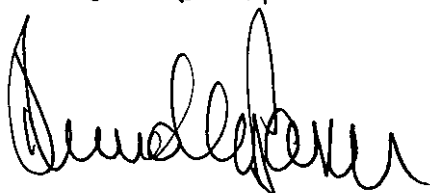
BALANCE SHEET

at 31st December 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	9	237,330		231,532	
Current assets					
Stocks	10	206,437		215,835	
Debtors	11	621,140		550,952	
Investments	12	-		619	
Cash at bank and in hand		458		82	
		<u>828,035</u>		<u>767,488</u>	
Creditors: amounts falling due within one year	13	(850,176)		(818,679)	
Net current liabilities			(22,141)		(51,191)
Total assets less current liabilities		215,189		180,341	
Creditors: amounts falling due after more than one year	14		(250)		(3,250)
Net Assets			<u>214,939</u>		<u>177,091</u>
Capital and reserves					
Called up share capital	16	118,705		118,705	
Share premium account	17	29,795		29,795	
Profit and loss account	18	66,439		28,591	
Total shareholders' funds	15	214,939		177,091	

The directors have taken advantage in the preparation of these financial statements of special exemptions provided by Part I of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a small company.

The financial statements on pages 5 to 14 were approved by the board of directors on 5th June 1997 Dated: and signed on its behalf by:



T C G Parson
Director

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

1 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is entitled to the exemptions available in Sections 246 to 247 of the Companies Act 1985 for small companies.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Leasehold Improvements	Straight line over the term of the lease
Plant and machinery	15% Straight line
Motor vehicles	25% Straight line

Group undertakings

These accounts present information relating to the company as an individual undertaking and not about its group. Its subsidiary undertaking is excluded on the grounds that its results are immaterial and it is held with a view to resale.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on an average cost basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

In the opinion of the directors, none of the turnover of the company is attributable to geographical markets outside the UK. (1995 nil)

3 Operating profit

	1996	1995
	£	£
Operating profit is stated after crediting		
Rental Income	-	1,668
Profit on sale of assets	3,503	-
	<u> </u>	<u> </u>
and after charging		
Auditors' Remuneration	3,750	3,750
Hire of equipment	1,008	2,069
Operating lease rentals - equipment	255	1,599
Loss on sale of assets	-	13,246
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 9)		
owned assets	22,780	15,179
leased assets	2,793	2,792
	<u> </u>	<u> </u>
	25,573	17,971
	<u> </u>	<u> </u>

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

4 Operating profit

	1996			Total £
	Continuing operations	Acquisitions	Discontinued operations	
	£	£	£	
Cost of sales	1,976,716	-	-	1,976,716
Net operating expenses				
Distribution costs	60,993	-	-	60,993
Administrative expenses	490,772	-	-	490,772
	551,765	-	-	551,765

1995 (as re-stated)

	Continuing operations	Acquisitions	Discontinued operations	Total £
	£	£	£	£
Cost of sales	1,931,925	-	60,557	1,992,482
Net operating expenses				
Distribution costs	63,804	-	-	63,804
Administrative expenses	448,825	-	55,823	504,648
Other operating income	-	-	(1,668)	(1,668)
	512,629	-	54,155	566,784

5 Directors

	1996 £	1995 £
Directors' emoluments	85,066	94,780

Pension costs

Defined contribution scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £767 (1995 £767). Contributions totalling £0 (1995 £0) were payable to the fund at 31st December 1996 and are included in creditors.

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

6 Interest Receivable

	1996	1995
	£	£
Interest receivable	-	65

7 Interest payable

	1996	1995
	£	£
Finance lease and hire purchase contracts	628	575
Other interest payable	14,482	14,073
	<u>15,110</u>	<u>14,648</u>

8 Dividends

	1996	1995
	£	£
Other dividends on non-equity shares	7,050	11,215
Total dividends paid and proposed	<u>7,050</u>	<u>11,215</u>
The above is made up as follows:		
Preference Dividends	<u>7,050</u>	<u>11,215</u>

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

9 Tangible fixed assets

Cost	Leasehold Improvements £	Plant and Machinery etc £	Total £
1st January 1996	210,230	133,351	343,581
Additions	-	34,268	34,268
Disposals	-	(44,209)	(44,209)
31st December 1996	210,230	123,410	333,640
Depreciation			
1st January 1996	8,433	103,616	112,049
Charge for year	8,433	17,140	25,573
Disposals	-	41,312	41,312
31st December 1996	16,866	79,444	96,310
Net book amount			
31st December 1996	193,364	43,966	237,330
1st January 1996	201,797	29,735	231,532

The net book amount of fixed assets includes £5,584 (1995 £8,378) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

10 Stocks

	1996 £	1995 £
Stocks	206,437	215,835

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	605,511	545,881
Other debtors	15,629	5,071
	621,140	550,952

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

12 Current asset investments

	1996 £	1995 £
Shares in group undertakings	-	619

The company owes 100% of the issued share capital of S R Marine Ltd, a company incorporated in England. This company ceased to trade on the 31st December 1995

The directors consider that these shares have no value as at 31st December 1996.

13 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdrafts	174,437	146,851
Trade creditors	590,678	568,141
Obligations under finance leases and hire purchase contracts - note 14	3,000	-
Corporation tax	13,703	14,953
Other taxation and social security	35,848	41,537
Other creditors	32,510	47,197
	<u>850,176</u>	<u>818,679</u>

The Bank Overdraft is secured on all the company's fixed and floating assets.

Included in creditors above is £177,937 which is secured.

14 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Other creditors	250	3,250
	<u>250</u>	<u>3,250</u>

The above amount is secured.

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	44,898	50,961
Dividends	(7,050)	(11,215)
Net addition to shareholders' funds	37,848	39,746
Opening shareholders' funds	177,091	137,345
Closing shareholders' funds	214,939	177,091

The amount attributable to non-equity interest is £117500 (1995 £117500).

16 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
Authorised				
Equity				
Ordinary Shares of £1 Each	5,000	5,000	5,000	5,000
Non Equity				
Cumulative Redeemable 6%				
Preference Shares of £1 Each	250,000	250,000	250,000	250,000
		255,000		255,000
Allotted called up				
and fully paid				
Equity				
Ordinary Shares of £1 Each	1,205	1,205	1,205	1,205
Non Equity				
Cumulative Redeemable 6%				
Preference Shares of £1 Each	117,500	117,500	117,500	117,500
		118,705		118,705

The Preference Shares are non-voting and are redeemable at par at any time after 5 years have elapsed from the date of issue subject to one years notice by either party. The earliest date for redemption is December 1998 with no fixed latest date. The Preference Share dividend is paid in 2 equal instalments and in priority to any ordinary share dividend. If unpaid in any year it will be accumulated and paid in future. In the event of a winding up the preference shareholders will take priority to any entitlements over ordinary shareholders.

AVON STEEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

17 Share premium account

	1996 £
1st January 1996	
and	
31st December 1996	29,795

18 Profit and loss account

	1996 £
1st January 1996	28,591
Retained profit for the year	37,848
31st December 1996	66,439

19 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 1997

	1996 Land and Buildings £	1995 Land and Buildings £
Expiring		
After five years	45,600	45,600
	45,600	45,600

20 Related party transactions

During the year the company paid £45600 in rentals to Valtim Holdings, a business owned by Mr T C G Parson (Director) and Mrs V E E Parson.

21 Deferred taxation

	1996		1995	
	Not Provided £	Provided £	Not Provided £	Provided £
Capital Allowances in excess of depreciation	4,783	-	2,993	-
	4,783	-	2,993	-

The potential liability and provision are based on a corporation tax rate of 24% (1995 25%).