

Steel Supply Company (Western) Limited

Directors' report and financial statements

31 March 1997

Registered number 0486993



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 March 1997.

Principal activities

The principal activities of the company are wharfingers, storers and distributors.

Business review

The results of the company for the year are shown on page 4.

Dividend

The directors do not recommend the payment of a dividend (1996: £Nil).

Directors and directors' interest

The directors who served during the year were:

I R Jones - Chairman and Managing Director
R S R Jones
R M Robbins

The interests of the directors in the share capital of the company were as follows:

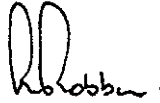
	£1 ordinary shares	
	1997	1996
I R Jones	321,300	321,300
R S R Jones	33,605	33,605

R M Robbins had no interest in the share capital of the company.

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 M Robbins
Secretary

10 St James Crescent
Uplands
Swansea

21st January 1998

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 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.



Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF2 1TE
United Kingdom

Report of the auditors to the members of Steel Supply Company (Western) Limited

We have audited the financial statements on pages 4 to 17.

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 31 March 1997 and of its loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants
Registered Auditors*

23rd January 1998

Profit and loss account
for the year ended 31 March 1997

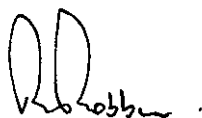
	<i>Note</i>	1997 £	1996 £
Turnover	<i>1</i>	150,449	911,715
Cost of sales		(91,490)	(319,425)
Gross profit		58,959	592,290
Administrative expenses		(367,625)	(730,848)
Other operating income		118,181	243,824
Operating (loss)/profit		(190,485)	105,266
Interest receivable		2,921	12,896
Interest payable and similar charges	<i>2</i>	(556)	(2,498)
(Loss)/profit on ordinary activities before taxation	<i>3-5</i>	(188,120)	115,664
Tax on (loss)/profit on ordinary activities	<i>6</i>	75,679	(41,644)
(Loss)/profit for the financial year	<i>17</i>	(112,441)	74,020

The above results represent the company's total recognised gains and losses in both financial years.

Balance sheet
at 31 March 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	7	692,342	784,336
Investments	8	4,389	4,437
		<u>696,731</u>	<u>788,773</u>
Current assets			
Stocks	9	16,383	11,470
Debtors	10	1,690,209	1,785,604
Investments	11	580	580
Cash at bank and in hand		19,915	75,744
		<u>1,727,087</u>	<u>1,873,398</u>
Creditors: amounts falling due within one year	12	(266,258)	(390,494)
Net current assets			
Due within one year		125,466	95,517
Debtors due after more than one year		1,335,363	1,387,387
		<u>1,460,829</u>	<u>1,482,904</u>
Total assets less current liabilities		<u>2,157,560</u>	<u>2,271,677</u>
Provisions for liabilities and charges	13	(47,700)	(48,800)
Accruals and deferred income	14	(2,626)	(3,202)
Net assets		<u>2,107,234</u>	<u>2,219,675</u>
Capital and reserves			
Called up share capital	15	442,058	442,058
Capital redemption reserve	17	194,942	194,942
Profit and loss account	17	1,470,234	1,582,675
Shareholders' funds	16	<u>2,107,234</u>	<u>2,219,675</u>

These financial statements were approved by the board of directors on 21st January 1998 and were signed on its behalf by:



R M Robbins
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 accounting standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Consolidation

The company has taken advantage of the exemption from producing consolidated financial statements afforded to small and medium sized groups by the Companies Act 1989.

Fixed assets and depreciation

Depreciation is provided 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:

Freehold wharves, buildings and fixed plant	-	20 years
Motor vehicles	-	4 years
Other assets	-	10 years

No depreciation is provided on freehold land.

Stocks

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

Taxation

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

Turnover

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

Notes (continued)

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.

Grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Finance leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charged to the profit and loss account on a straight line basis over the life of the leases.

2 Interest payable and similar charges

	1997 £	1996 £
Finance charges in respect of finance leases and hire purchase contracts	556	2,055
Bank interest payable	-	443
	556	2,498

Notes (continued)

3 Profit on ordinary activities before taxation

	1997 £	1996 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	101,467	95,100
Auditor's remuneration	7,700	8,400
Government grants released	(576)	(1,448)
Profit on disposal of tangible fixed assets	(18,335)	(6,224)
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	1997 £	1996 £
Management	3	4
Administrative	2	4
Handling and despatch	3	6
	<u> </u>	<u> </u>
	8	14
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	282,726	439,721
Social security costs	26,702	44,575
Other pension costs	11,568	15,336
	<u> </u>	<u> </u>
	320,996	499,632
	<u> </u>	<u> </u>

Notes (continued)

5 Remuneration of directors

	1997 £	1996 £
Directors' emoluments	253,584	311,097
Contributions to pension schemes	10,200	15,200
	<u>263,784</u>	<u>326,297</u>

The aggregate emoluments, of the highest paid director were £147,380 (1996: £198,912). There were no payments made to pension schemes on his behalf (1996: £Nil).

Retirement benefits are accruing to 2 directors (1996: 2) in respect of defined contribution schemes.

6 Taxation credit/(charge)

	1997 £	1996 £
UK corporation tax credit/(charge) on the profit for the year on ordinary activities	40,180	(41,104)
Deferred taxation	1,100	(2,530)
	<u>41,280</u>	<u>(43,634)</u>
Adjustments relating to prior years:		
Current taxation	34,399	(40)
Deferred taxation	-	2,030
	<u>75,679</u>	<u>(41,644)</u>

Notes (continued)

7 Tangible fixed assets

	Freehold land	Freehold wharves, buildings and fixed plant	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	88,750	1,046,468	731,267	35,523	1,902,008
Additions	-	-	6,995	4,103	11,098
Disposals	(250)	-	(94,923)	-	(95,173)
At end of year	88,500	1,046,468	643,339	39,626	1,817,933
Depreciation					
At beginning of year	-	622,940	469,514	25,218	1,117,672
Charge for the year	-	46,686	52,878	1,903	101,467
On disposals	-	-	(93,548)	-	(93,548)
At end of year	-	669,626	428,844	27,121	1,125,591
Net book value					
At 31 March 1997	88,500	376,842	214,495	12,505	692,342
At 31 March 1996	88,750	423,528	261,753	10,305	784,336

There were no outstanding capital commitments at the year end (1996: £Nil).

Included in the above are motor vehicles held under finance leases. At 31 March 1997, the net book value of these assets was £4,796 (1996: £14,390) and in the year depreciation of £9,594 (1996: £9,514) was charged on them.

Notes (continued)

8 Investments (held as fixed assets)

	Shares in subsidiary undertaking £	Shares in associated undertaking £	Unlisted investments £	Total £
Cost				
At beginning of year	10,359	50	1,220	11,629
Additions	-	2	-	2
At end of year	10,359	52	1,220	11,631
Provisions				
At beginning of year	7,182	-	10	7,192
Charge for year	-	50	-	50
At end of year	7,182	50	10	7,242
Net book value				
At end of year	3,177	2	1,210	4,389
At beginning of year	3,177	50	1,210	4,437

The undertakings in which the company's interest is equal to or more than 10% are as follows:

	Principal activity	Class and percentage of shares held	
		Class	% held
Subsidiary undertakings			
Steel Supply (Property) Limited	Property Dealing	Ordinary £1 shares	100
SJC Developments Limited	Property Dealing	Ordinary £1 shares	100
Rhossili Hotel Limited	Hotelier	Ordinary £1 shares	100
Charterflow Limited	Dormant	Ordinary £1 shares	80
Neath Abbey Wharf Limited	Investments	Ordinary £1 shares	100
Steel Supply (non ferrous) Limited	Scrap Metal	Ordinary £1 shares	90
Associated undertaking			
Stevedoring Services (Swansea) Limited	Stevedoring Services	Ordinary £1 shares	50
Construction Parts and Services Limited	Plant hire and repair	Ordinary £1 shares	50
Other Investments			
Communicado Internet Marketing Limited	Computer Based Marketing	Ordinary £1 shares	10
13 Bolingbroke Grove Limited	Property Services	Ordinary £1 shares	12.5

The investment in 13 Bolingbroke Grove Limited is held by Steel Supply (Property) Limited.

Notes (continued)

8 Investments (held as fixed assets)

The following information is relevant to undertakings in which the company's interest was more than 10% in either the current or corresponding financial year.

	1997		1996	
	Capital and reserves at the year end £	Profit/(loss) for the year after taxation £	Capital and reserves at the year end £	Profit/(loss) for the year after taxation £
<i>Subsidiary undertakings</i>				
Steel Supply (Property) Limited	(350,145)	72,173	(422,318)	26,796
SJC Developments Limited	236,525	81,828	157,048	50,812
Rhossili Hotel Limited	(14,957)	24,914	(39,871)	16,749
Charterflow Limited	(29,201)	-	(29,201)	-
Neath Abbey Wharf Limited	3,181	9	3,172	5
Steel Supply (non ferrous) Limited	(110,018)	(19,126)	(90,892)	(90,902)
<i>Associated undertakings</i>				
Stevedoring Services (Swansea) Limited	(99,636)	(113,344)	13,708	(125,690)
Construction Parts and Service Limited	4	-	-	-
<i>Other Investments</i>				
13 Bolingbroke Grove Limited	(754)	539	(1,293)	(355)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All the above companies are registered in England and Wales.

The 1996 results of Steel Supply (non ferrous) Limited are for the ten months ended 31 March 1996.

Construction Parts and Services Limited was incorporated on 7 February 1997, but had not begun to trade at 31 March 1997.

During the year, Steel Supply (Property) Limited sold the majority of its interest in the share capital of 13 Bolingbroke Grove Limited. As a result, the company's interest in the ordinary share capital of 13 Bolingbroke Grove Limited has reduced from 50% at the beginning of the year to 12.5% at the year end.

9 Stocks

	1997 £	1996 £
Stock for resale	16,383	11,470
	<u> </u>	<u> </u>

Notes (continued)

10 Debtors

	1997 £	1996 £
Trade debtors	53,475	231,699
Amounts owed by subsidiary undertakings	1,451,675	1,367,387
Amounts owed by associated undertakings	90,558	174,466
Corporation tax	76,022	-
Other debtors	12,012	6,820
Prepayments and accrued income	6,467	5,232
	<u>1,690,209</u>	<u>1,785,604</u>

Of the amounts owed by subsidiary undertakings, £1,335,363 (1996: £1,387,387) is receivable after more than one year.

11 Investments (held as current assets)

	1997 £	1996 £
Listed investments	580	580
	<u>580</u>	<u>580</u>

The market value of listed investments is £34 (1996: £Nil).

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	9,100	1,584
Directors' loan accounts	34,674	59,084
Trade creditors	20,844	50,054
Amounts owed to subsidiary undertakings	1,575	1,590
Group relief	-	4,500
Corporation tax	-	36,064
Other taxes and social security	97,279	115,550
Accruals and deferred income	102,786	118,726
Hire purchase liabilities	-	3,342
	<u>266,258</u>	<u>390,494</u>

The bank overdraft is secured by a fixed charge over the freehold property at 10 St James Crescent, Uplands, Swansea.

Notes (continued)

13 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	48,800
Released in the year to the profit and loss account	(1,100)
At end of year	47,700

The provision for deferred taxation, representing the full potential liability calculated on the liability method, comprises tax at 33% as follows:

	1997 £	1996 £
Accelerated capital allowances	47,700	50,500
Other timing differences	-	(1,700)
	47,700	48,800

14 Accruals and deferred income

	1997 £	1996 £
Government grants	2,626	3,202

Notes (continued)

15 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
<i>Allotted called up and fully paid</i>		
Ordinary shares of £1 each		
At beginning of year	442,058	630,000
Purchased and cancelled in year	-	(187,942)
	<u> </u>	<u> </u>
At end of year	442,058	442,058
	<u> </u>	<u> </u>

16 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
(Loss)/profit for the financial year	(112,441)	74,020
Purchase of own shares	-	(151,014)
	<u> </u>	<u> </u>
Movement in shareholders' funds	(112,441)	(76,994)
Opening shareholders' funds	2,219,675	2,296,669
	<u> </u>	<u> </u>
Closing shareholders' funds	2,107,234	2,219,675
	<u> </u>	<u> </u>

17 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
At beginning of year	194,942	1,582,675	1,777,617
Loss for financial year	-	(112,441)	(112,441)
	<u> </u>	<u> </u>	<u> </u>
At end of year	194,942	1,470,234	1,665,176
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

18 Contingent liabilities

Steel Supply Company (Western) Limited has guaranteed bank borrowing for both Steel Supply Company (non ferrous) Limited, a subsidiary undertaking, up to a maximum liability of £100,000 and Stevedoring Services (Swansea) Limited, its associated undertaking, up to a maximum liability of £50,000. On 31 March 1997 the potential liability under these guarantees was £64,559 (1996: £150,000).

19 Pensions

The company operates defined contribution pension schemes which are administered by trustees and are independent of the company's finances. The pension costs charged in the year amounted to £11,568 (1996: £15,336).

20 Related party transactions

The directors consider the material transactions undertaken by the company during the year with parties related to the company were as follows:

Name of party	Relationship	Type of transaction	Transaction amount	Amount due (to)/from related party at 31 March 1997	
				Net balance	Provision
			£	£	£
Steel Supply (Property) Limited	Subsidiary undertaking	Intercompany balance	-	101,312	350,145
SJC Developments Limited	Subsidiary undertaking	Provision of finance	464,261	1,079,736	-
SJC Developments Limited	Subsidiary undertaking	Management fee	15,000	15,000	-
Rhossili Hotel Limited	Subsidiary undertaking	Intercompany balance	-	255,627	14,957
Charterflow Limited	Subsidiary undertaking	Intercompany balance	-	-	29,201
Steel Supply Company (non ferrous) Limited	Subsidiary undertaking	Purchase of assets	(6,970)	-	75,559
Neath Abbey Wharf Limited	Subsidiary undertaking	Intercompany balance	-	(1,575)	-
Stevedoring Services (Swansea) Limited	Associated undertaking	Management service charges	10,950	89,609	29,301
Construction Parts and Service Limited	Associated undertaking	Provision of finance	-	949	-
Ian Jones	Director	Loan to company	-	(34,674)	-

Notes *(continued)*

20 Related party transactions *(continued)*

Name of party	Relationship	Type of transaction	Transaction amount	Amount due (to)/from related party at 31 March 1997	
				Net balance	Provision
			£	£	£
IR Jones	Director	Benefit in kind arising on personal use of business assets	(4,222)	-	-
RSR Jones	Director	Benefit in kind arising on personal use of business assets	(1,895)	-	-
RM Robbins	Director	Benefit in kind arising on personal use of business assets	(1,775)	-	-

In addition the company provides certain finance, management, administration and payroll services to those companies noted above and to 13 Bolingbroke Grove Limited for which no charges are levied.

Other than those shown above there were no provisions at 31 March 1997 in respect of amounts due to and from related parties and no amounts were written off in the year in respect of transactions with related parties.