

Steel Supply Company (Western) Limited

Directors' report and financial statements

31 March 1998

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 1998.

Principal activities

The company provides management services to the subsidiaries and associates, lets surplus property and operates a plant hire business. The principal activities of the company's major subsidiaries are property investment, operation of a hotel and property dealer, developer and trader.

Business review

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

Future developments

These activities are expected to continue for the foreseeable future.

Dividend

The directors do not recommend the payment of a dividend (1997: £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	
	1998	1997
I R Jones	235,300	321,300
R S R Jones	72,214	33,605

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

Year 2000

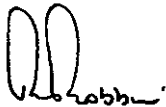
The group is carefully assessing the impact of the Year 2000 issue on its internal systems and other areas of the business. Any corrective action found necessary will be undertaken at an early stage. The costs of compliance have not yet been quantified but are not believed to be material.

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 M Robbins
Secretary

10 St James Crescent
Uplands
Swansea

21st January 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 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 5 to 17.

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 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 1998 and of its loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

23rd January 1999

Profit and loss account
for the year ended 31 March 1998

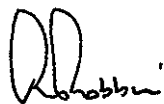
	<i>Note</i>	1998 £	1997 £
Turnover	<i>1</i>	36,571	150,449
Cost of sales		(37,717)	(91,490)
Gross (loss)/profit		(1,146)	58,959
Administrative expenses		(509,452)	(367,625)
Other operating income		141,415	99,846
Operating loss		(369,183)	(190,485)
Profit on disposal of tangible fixed assets		44,760	18,335
Loss on ordinary activities before interest and taxation		(324,423)	(190,485)
Interest receivable and similar income	<i>2</i>	4,548	2,921
Interest payable and similar charges	<i>3</i>	(491)	(556)
Loss on ordinary activities before taxation	<i>4-6</i>	(320,366)	(188,120)
Tax on loss on ordinary activities	<i>7</i>	50,884	75,679
Loss for the financial year	<i>17, 18</i>	(269,482)	(112,441)

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

Balance sheet
at 31 March 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	8		558,937		692,342
Investments	9		4,389		4,389
			<u>563,326</u>		<u>696,731</u>
Current assets					
Stocks	10	19,243		16,383	
Debtors	11	1,534,793		1,690,209	
Investments	12	580		580	
Cash at bank and in hand		3,023		19,915	
		<u>1,557,639</u>		<u>1,727,087</u>	
Creditors: amounts falling due within one year	13	(252,179)		(266,258)	
Net current assets					
Due within one year		85,990		125,466	
Debtors due after more than one year		1,219,470		1,335,363	
		<u>1,305,460</u>		<u>1,460,829</u>	
Total assets less current liabilities		<u>1,868,786</u>		<u>2,157,560</u>	
Creditors: amounts falling due after more than one year	14	(2,051)		(2,626)	
Provisions for liabilities and charges	15	(28,983)		(47,700)	
Net assets		<u>1,837,752</u>		<u>2,107,234</u>	
Capital and reserves					
Called up share capital	16	442,058		442,058	
Capital redemption reserve	18	194,942		194,942	
Profit and loss account	18	1,200,752		1,470,234	
Shareholders' funds	17	<u>1,837,752</u>		<u>2,107,234</u>	

These financial statements were approved by the board of directors on 21st January 1999 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 as it is entitled to the filing exemptions available to small companies under Sections 246 to 249 Companies Act 1985.

Consolidation

The company, being the parent of a small group, is exempt by virtue of section 248 Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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)

1 Accounting policies (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 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.

Pension costs

The company makes payments to defined contribution schemes for eligible staff, all of which are money purchase plans, which are charged to the profit and loss account as they become due.

2 Interest receivable and similar income

	1998 £	1997 £
Bank interest	1,333	2,921
Corporation tax repayment supplement	3,215	-
	4,548	2,921

Notes (continued)

3 Interest payable and similar charges

	1998	1997
	£	£
Finance charges in respect of finance leases and hire purchase contracts	-	556
Bank overdraft interest	8	-
Interest due upon late payment of tax	483	-
	<u>491</u>	<u>556</u>

4 Loss on ordinary activities before taxation

	1998	1997
	£	£
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	81,334	101,467
Auditor's remuneration - audit	8,900	7,700
Auditor's remuneration - other services	10,000	9,866
Government grants released	(575)	(576)
	<u>100,659</u>	<u>128,457</u>

5 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	
	1998	1997
	£	£
Management	3	3
Administrative	2	2
Handling and despatch	1	3
	<u>6</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£	£
Wages and salaries	273,158	282,726
Social security costs	25,659	26,702
Other pension costs	14,916	11,568
	<u>313,733</u>	<u>320,996</u>

Notes (continued)

6 Remuneration of directors

	1998 £	1997 £
Directors' remuneration	273,522	253,584
Contributions to pension schemes	13,860	10,200
	287,382	263,784

The aggregate emoluments, of the highest paid director were £162,109 (1997: £147,380). There were no payments made to pension schemes on his behalf (1997: £Nil).

Retirement benefits are accruing to two directors (1997: 2) under defined contribution schemes.

Included within directors emoluments is £46,058 (1997: £41,580) relating to benefits accruing to directors from the provision of cars by the company and from the use of assets owned by the company and its subsidiary undertakings for no charge.

7 Taxation credit

	1998 £	1997 £
Current year:		
UK corporation tax credit on the loss for the year at 21% (1997: 24%)	16,829	40,180
Deferred taxation	17,371	1,100
	34,200	41,280
Adjustments relating to earlier years:		
UK corporation tax	15,338	34,399
Deferred taxation	1,346	-
	50,884	75,679

The tax credit for the year to 31 March 1998 is reduced by tax losses carried forward on which no deferred tax asset has been recognised and by losses group relieved to subsidiaries for which no charge has been made.

Notes (continued)

8 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	88,500	1,046,468	643,339	39,626	1,817,933
Additions	-	-	-	719	719
Disposals	-	-	(221,460)	(895)	(222,355)
At end of year	88,500	1,046,468	421,879	39,450	1,596,297
Depreciation					
At beginning of year	-	669,626	428,844	27,121	1,125,591
Charge for the year	-	44,641	31,920	4,773	81,334
On disposals	-	-	(168,853)	(712)	(169,565)
At end of year	-	714,267	291,911	31,182	1,037,360
Net book value					
At 31 March 1998	88,500	332,201	129,968	8,268	558,937
At 31 March 1997	88,500	376,842	214,495	12,505	692,342

There were no outstanding capital commitments at the year end (1997: £Nil).

At 31 March 1998 certain plant and machinery above was held under finance leases. At 31 March 1998 the net book value of these assets was £nil (1997: £4,796) and in the year to 31 March 1998 depreciation of £nil (1997: £9,594) was charged on them.

Notes (continued)

9 Investments (held as fixed assets)

	Shares in group undertakings £	Participating interests £	Other investments £	Total £
Cost				
At beginning and end of year	10,359	52	1,220	11,631
Provisions				
At beginning and end of year	7,182	50	10	7,242
Net book value				
At beginning and end of year	3,177	2	1,210	4,389

The undertakings in which the company's interest is equal to or more than 20% 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 undertakings			
Stevedoring Services (Swansea) Limited	Stevedoring Services	Ordinary £1 shares	50
Construction Parts and Services Limited	Plant hire and repair	Ordinary £1 shares	50

The following information is relevant to the material undertakings in which the company's interest was more than 20% in either the current or preceding financial year.

	1998		1997	
	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 £
Subsidiary undertakings				
Steel Supply (Property) Limited	(352,611)	(2,466)	(350,145)	72,173
SJC Developments Limited	308,144	69,268	236,525	81,828
Rhossili Hotel Limited	16,472	31,429	(14,957)	24,914
Charterflow Limited	(29,201)	-	(29,201)	-
Neath Abbey Wharf Limited	3,190	9	3,181	9
Steel Supply (non ferrous) Limited	(112,380)	(2,362)	(110,018)	(19,126)
Associated undertakings				
Stevedoring Services (Swansea) Limited	(60,876)	38,760	(99,636)	(113,344)

Notes (continued)

10 Stocks

	1998 £	1997 £
Stock for resale	19,243	16,383

11 Debtors

	1998 £	1997 £
Trade debtors	46,566	53,475
Amounts owed by subsidiary undertakings	1,354,491	1,451,675
Amounts owed by associated undertakings	29,301	90,558
Corporation tax	94,990	76,022
Other debtors	6,901	12,012
Prepayments and accrued income	2,544	6,467
	1,534,793	1,690,209

Of the amounts owed by subsidiary undertakings, £1,219,470 (1997: £1,335,363) is receivable after more than one year.

12 Investments (held as current assets)

	1998 £	1997 £
Listed investments	-	580
Unlisted investments	580	-
	580	580

The market value of listed investments at 31 March 1997 was £34.

Notes (continued)

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdraft	7,297	9,100
Directors' loan accounts	21,431	34,674
Trade creditors	24,718	20,844
Amounts owed to subsidiary undertakings	1,560	1,575
Other taxes and social security	74,508	97,279
Accruals and deferred income	122,665	102,786
	<u>252,179</u>	<u>266,258</u>

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

14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Deferred income	2,051	2,626
	<u>2,051</u>	<u>2,626</u>

15 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	47,700
Released to the profit and loss account in the year	(18,717)
	<u>28,983</u>
At end of year	<u>28,983</u>

The potential deferred taxation provision comprises tax at 21% (1997: 33%) as follows:

	1998	1997
	Provided £	Provided £
Accelerated capital allowances	29,414	48,567
Tax losses carried forward	-	-
Deferred grant income	(431)	(867)
	<u>28,983</u>	<u>47,700</u>
	Unprovided £	Unprovided £
Accelerated capital allowances	-	-
Tax losses carried forward	(44,996)	-
Deferred grant income	-	-
	<u>(44,996)</u>	<u>-</u>

Notes (continued)

16 Called up share capital

	1998 £	1997 £
<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	442,058	442,058
	<u> </u>	<u> </u>

17 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the financial year	(269,482)	(112,441)
	<u> </u>	<u> </u>
Movement in shareholders' funds	(269,482)	(112,441)
Opening shareholders' funds	2,107,234	2,219,675
	<u> </u>	<u> </u>
Closing shareholders' funds	1,837,752	2,107,234
	<u> </u>	<u> </u>

18 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
At beginning of year	194,942	1,470,234	1,665,176
Loss for financial year	-	(269,482)	(269,482)
	<u> </u>	<u> </u>	<u> </u>
At end of year	194,942	1,200,752	1,395,694
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

19 Contingent liabilities

During the year, the company guaranteed bank borrowings for Rhossili Hotel Limited and Steel Supply Company (non ferrous) Limited, both subsidiary undertakings, up to a maximum liability of £100,000 each, for Stevedoring Services (Swansea) Limited, an associated undertaking, up to a maximum liability of £50,000 and for Construction Parts and Services Limited, an associated undertaking, up to a maximum liability of £75,000. On 31 March 1998 the potential liability under these guarantees was £17,847 (1997: £64,559).

20 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 £14,916 (1997: £11,568).

21 Related undertakings

Throughout the year, the company's subsidiary Steel Supply (Property) Limited owned 12.5% of the ordinary share capital of 13 Bolingbroke Grove Limited, a company incorporated in Great Britain and registered in England and Wales.

The company, Steel Supply (Property) Limited and 13 Bolingbroke Grove Limited have two directors in common who provide management services to all three companies.

22 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	
			Year to 31 March 1998 £	Year to 31 March 1997 £
SJC Developments Limited	Subsidiary undertaking	Provision of finance to the related party	-	464,261
SJC Developments Limited	Subsidiary undertaking	Salary cost recharge receivable	15,000	15,000
Rhossili Hotel Limited	Subsidiary undertaking	Management charge receivable	20,000	-
Steel Supply Company (non ferrous) Limited	Subsidiary undertaking	Purchase of assets from the related party	2,860	6,970
Stevedoring Services (Swansea) Limited	Associated undertaking	Management charge receivable	Nil	10,950

Notes (continued)

22 Related party transactions (continued)

During the two years to 31 March 1998 a leasehold property held for resale by Steel Supply (Property) Limited, cost £84,000, was rented to a close family member of I R Jones, a director, for no charge.

During the two years to 31 March 1998 an investment property, cost £115,736, and the associated equipment owned by SJC Developments Limited were rented to the directors for no charge.

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

The amounts due to and from the company's related parties at the year end and the related provisions are:

Name of party	Relationship	Amount due (to)/from related party at 31 March 1998		Amount due (to)/from related party at 31 March 1997	
		Gross balance £	Provision £	Gross balance £	Provision £
Steel Supply (Property) Limited	Subsidiary undertaking	453,457	(352,611)	451,457	(350,145)
SJC Developments Limited	Subsidiary undertaking	1,001,061	-	1,094,736	-
Rhossili Hotel Limited	Subsidiary undertaking	252,584	-	270,584	(14,957)
Charterflow Limited	Subsidiary undertaking	29,201	(29,201)	29,201	(29,201)
Steel Supply Company (non ferrous) Limited	Subsidiary undertaking	107,381	(107,381)	75,559	(75,559)
Neath Abbey Wharf Limited	Subsidiary undertaking	(1,560)	-	(1,575)	-
Stevedoring Services (Swansea) Limited	Associated undertaking	60,252	(30,951)	118,910	(29,301)
Construction Parts and Services Limited	Associated undertaking	198	-	949	-
Ian Jones	Director	21,104	-	(34,674)	-

Other than those shown above there were no provisions at 31 March 1998 in respect of amounts due to and from related parties and no amounts were written off in the year in respect of amounts due to or from related parties.

22 Immediate and ultimate controlling party

The company's immediate and ultimate controlling party is I R Jones, a director and a shareholder of the company.