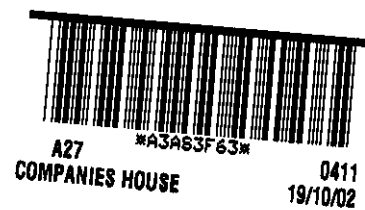


Steel Supply Company (Western) Limited

**Directors' report and financial
statements**

Registered number 0486993

31 March 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditor to the members of Steel Supply Company (Western) Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

Principal activities

The company provides management services to its subsidiaries and associates, lets surplus property and operates a bulk handling facility. The principal activities of the company's major subsidiaries are property investment, property dealer, developer and trader and the provision of distribution and delivery services.

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 (2001: £Nil).

Directors and directors' interests

The directors who served during the year were:

I R Jones
R S R Jones
I A Jones - appointed 13 July 2001

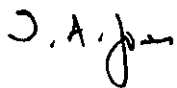
The interests of the directors in the share capital of the company were as follows:

	£1 ordinary shares	
	2002	2001
R S R Jones	<u>111,213</u>	<u>111,213</u>

Auditors

KPMG were re-appointed auditors on 16 July 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 12 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



I A Jones
Secretary

10 St James Crescent
Uplands
Swansea

29 July 2002

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
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United Kingdom

Report of the independent auditor 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

The directors are responsible for preparing the directors' report and, as described on page 2 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

15 August 2002

Profit and loss account
for the year ended 31 March 2002

	<i>Note</i>	2002 £	2001 £
Turnover	<i>1</i>	174,369	182,544
Cost of sales		(179,573)	(121,552)
Gross (loss) / profit		(5,204)	60,992
Administrative expenses		(329,504)	(391,071)
Other operating income		250,994	180,561
Operating loss		(83,714)	(149,518)
Interest receivable and similar income	<i>2</i>	9,860	-
Interest payable and similar charges	<i>3</i>	(6,639)	(10,724)
Loss on ordinary activities before taxation	<i>4-6</i>	(80,493)	(160,242)
Tax on loss on ordinary activities	<i>7</i>	5,337	2,127
Loss for the financial year	<i>18</i>	(75,156)	(158,115)

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

Balance sheet
at 31 March 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	8		362,953		409,268
Investments	9		15,695		5,695
			378,648		414,963
Current assets					
Stocks	10	-		8,010	
Debtors	11	906,014		1,127,807	
Cash at bank and in hand		817		155	
			906,831	1,135,972	
Creditors: amounts falling due within one year	13	(289,873)		(385,393)	
Net current assets					
Due within one year		(9,864)		27,818	
Debtors due after more than one year		626,822		722,761	
			616,958		750,579
Total assets less current liabilities					
			995,606		1,165,542
Creditors: amounts falling due after more than one year	14		(68,523)		(157,966)
Provisions for liabilities and charges	15		(5,145)		(10,482)
Net assets			921,938		997,094
Capital and reserves					
Called up share capital	16		221,758		221,758
Capital redemption reserve	18		415,242		415,242
Profit and loss account	18		284,938		360,094
Shareholders' funds	17		921,938		997,094

These financial statements were approved by the board of directors on 29 July 2002 and were signed on its behalf by:



I A Jones
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.

The directors have implemented the new Financial Reporting Standard 19 (FRS) which requires full provision to be made for deferred taxation as set out below. Previously the company only provided for deferred taxation to the extent that it was probable that an actual liability would crystallise. The change in accounting policy has had no impact on the results for this or preceding periods.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Turnover

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

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 and similar hire purchase contracts

Where the company enters into a lease or similar hire purchase contract 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. In the case of hire purchase contracts which have the characteristics of a finance lease, the asset is depreciated over its estimated useful life. 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

	2002 £	2001 £
Loan interest	9,860	-

Notes (continued)

3 Interest payable and similar charges

	2002 £	2001 £
Bank overdraft interest	5,655	10,401
Interest on hire purchase contracts	984	323
	<u>6,639</u>	<u>10,724</u>

4 Loss on ordinary activities before taxation

	2002 £	2001 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation – on owned assets	57,846	59,352
Depreciation on assets subject to hire purchase contracts	3,625	906
Auditors' remuneration – audit	5,500	5,500
Government grants released	(419)	(546)
	<u>66,552</u>	<u>70,212</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	
	2002	2001
Management	3	2
Administrative	3	3
Handling and despatch	2	2
	<u>8</u>	<u>7</u>

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	201,980	177,996
Social security costs	17,621	16,247
Other pension costs	11,068	17,120
	<u>230,669</u>	<u>211,363</u>

Notes (continued)

6 Remuneration of directors

	2002 £	2001 £
Directors' remuneration	163,194	131,153
Contributions to pension schemes	4,875	15,912
	<u>168,069</u>	<u>147,065</u>

Retirement benefits are accruing to 2 directors (2001: 2) under money purchase schemes.

Included within directors emoluments is £39,959 (2001: £35,879) 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

Analysis of charge in period

	2002 £	2001 £
Current tax	-	-
Deferred tax (see note 15)		
Origination/reversal of timing differences	5,337	2,127
	<u>5,337</u>	<u>2,127</u>
Tax on profit on ordinary activities	<u>5,337</u>	<u>2,127</u>

The current tax charge for the period is higher (2001: higher) than the small companies rate of corporation tax in the UK of 20% (2001: 20%). The differences are explained below.

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(80,493)	(160,242)
	<u>(16,099)</u>	<u>(32,048)</u>
Current tax at 20% (2001: 20%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,066	4,839
Depreciation for period in excess of capital allowances and other timing differences	7,393	2,145
Dividend receivable	(22,565)	-
Surrender of group relief	25,890	23,908
Unutilised management expenses	1,315	1,156
	<u>-</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>-</u>

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	65,550	1,078,276	377,741	48,888	1,570,455
Additions	-	-	14,000	2,155	16,155
Disposals	-	-	(49,095)	-	(49,095)
At end of year	65,550	1,078,276	342,646	51,043	1,537,515
Depreciation					
At beginning of year	-	828,815	295,037	37,335	1,161,187
Charge for the year	-	30,219	27,322	3,930	61,471
On disposals	-	-	(48,096)	-	(48,096)
At end of year	-	859,034	274,263	41,265	1,174,562
Net book value					
At 31 March 2002	65,550	219,242	68,383	9,778	362,953
At 31 March 2001	65,550	249,461	82,704	11,553	409,268

The net book value of assets subject to hire purchase contracts was £9,969 (2001: £13,594) and the depreciation charged on such assets was £3,625 (2001: £906).

Notes (continued)

9 Investments (held as fixed assets)

	Shares in group undertakings £	Participating interests £	Other investments £	Total £
Cost				
At beginning of year	10,351	50	5,693	16,094
Acquisitions	-	-	10,000	10,000
Disposals	-	-	-	-
At end of year	10,351	50	15,693	26,094
Provisions				
At beginning of year	10,349	50	-	10,399
Charge	-	-	-	-
Disposals	-	-	-	-
At end of year	10,349	50	-	10,399
Net book value				
At 31 March 2002	2	-	15,693	15,695
At 31 March 2001	2	-	5,693	5,695

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
MC14 Limited	Property Holding	Ordinary £1 shares	100
Move It Transport Limited	Distribution and delivery	Ordinary £1 shares	90
Aheadwrap International Limited	Wholesale	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.

Neath Abbey Wharf Limited, a non-trading wholly owed subsidiary of the company, was dissolved on 24 April 2001.

Notes (continued)

9 Investments (held as fixed assets) (continued)

	Capital and reserves at the year end £	2002 Profit/(loss) for the year after taxation £	Capital and reserves at the year end £	2001 Profit/(loss) for the year after taxation £
<i>Subsidiary undertakings</i>				
Steel Supply (Property) Limited	(338,569)	(307)	(338,262)	954
SJC Developments Limited	581,135	58,239	*522,896	81,812
Rhossili Hotel Limited	2	4,724	108,106	43,444
Charterflow Limited	(29,201)	-	(29,201)	-
MC14 Limited	82,986	33,916	49,070	24,141
Move It Transport Limited	(13,015)	26,907	(39,922)	(40,022)

* As restated for a prior year adjustment in relation to deferred tax on adoption of FRS19.

10 Stocks

	2002 £	2001 £
Stock for resale	-	8,010

11 Debtors

	2002 £	2001 £
Trade debtors	47,344	112,669
Amounts owed by subsidiary undertakings	831,028	1,006,006
Other debtors	14,063	5,490
Prepayments and accrued income	13,579	3,642
	906,014	1,127,807

Of the amounts owed by subsidiary undertakings, £626,822 (2001: £722,761) is receivable after more than one year.

Notes (continued)

12 Transactions with directors

During the course of the year, there were the following transactions with the directors:

	Amounts due to/(from) company	
	R S R Jones	I R Jones
	£	£
Balance at beginning of year	792	(181,762)
Repayments	(792)	84,277
Cash received from directors	-	(1,038)
Payments made on behalf of directors	-	8,860
Balance at end of year	-	(89,663)

The amounts owed are interest free and unsecured. The maximum amount outstanding during the year due to the company from R S R Jones was £792.

13 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	77,738	122,645
Trade creditors	61,932	98,820
Amounts owed to subsidiary undertakings	51,052	53,590
Other taxes and social security	17,000	16,949
Accruals and deferred income	39,539	45,534
Obligations under hire purchase contracts	5,785	6,287
Loan from I R Jones (note 12)	30,000	30,000
Other creditors	6,827	11,568
	289,873	385,393

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

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Deferred income	-	419
Obligations under hire purchase agreements	-	5,785
Loan from IR Jones (see note 12)	68,523	151,762
	<u>68,523</u>	<u>157,966</u>

Deferred income represents a rail facility grant received from the Welsh Office.

Obligations under hire purchase contracts are repayable as follows:

	2002 £	2001 £
Within one year	5,785	6,287
Between one and two years	-	5,785
	<u>5,785</u>	<u>12,072</u>

15 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	10,482
Released to the profit and loss account in the year	(5,337)
At end of year	<u>5,145</u>

The potential deferred taxation liability/(asset) comprises tax at 20% (2001: 20%) as follows:

	2002		2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	5,145	-	10,566	-
Tax losses carried forward	-	(85,453)	-	(84,358)
Deferred grant income	-	-	(84)	-
	<u>5,145</u>	<u>(85,453)</u>	<u>10,482</u>	<u>(84,358)</u>

The deferred tax asset relating to tax losses carried forward is unprovided because of uncertainty as to the extent of suitable taxable profits in the next few years.

Notes (continued)

16 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted called up and fully paid</i>		
Ordinary shares of £1 each	221,758	221,758

17 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the financial year	(75,156)	(158,115)
Movement in shareholders' funds	(75,156)	(158,115)
Transfer to capital redemption reserve on purchase of own shares	-	(220,300)
Opening shareholders' funds	997,094	1,375,509
Closing shareholders' funds	921,938	997,094

18 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
At beginning of year	415,242	360,094	775,336
Loss for financial year	-	(75,156)	(75,156)
At end of year	415,242	284,938	700,180

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 £11,068 (2001: £17,120).

Notes (continued)

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	
			Year to 31 March 2002 £	Year to 31 March 2001 £
SJC Developments Limited	Subsidiary undertaking	Management time recharge	15,000	15,000
SJC Developments Limited	Subsidiary undertaking	Net cash receipts from related party	(125,939)	(94,425)
MC14 Limited	Subsidiary undertaking	Management time recharge	5,000	5,000
MC14 Limited	Subsidiary undertaking	Net receipts on behalf of related party	(27,550)	(29,588)
Move It Transport Limited	Subsidiary undertaking	Loan received	-	20,000
Move It Transport Limited	Subsidiary undertaking	Loan granted	201,146	-
Move It Transport Limited	Subsidiary undertaking	Interest charged on loan	9,860	-
Move It Transport Limited	Subsidiary undertaking	Issue of share capital	-	90
Move It Transport Limited	Subsidiary undertaking	Net cash receipts from related party	(358)	-
Rhossili Hotel Limited	Subsidiary undertaking	Payment on behalf of the related party	5,164	31,638
Rhossili Hotel Limited	Subsidiary undertaking	Dividend receivable	112,828	-
Rhossili Hotel Limited	Subsidiary undertaking	Net cash receipts from related party	(370,463)	-

During the two years to 31 March 2002, an investment property, which cost £115,736, and the associated equipment owned by SJC Developments Limited were rented to certain directors for no charge.

In addition, the company provides certain assets and finance, management, administration and payroll services to its subsidiaries for which no charges are levied.

Notes (continued)

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 2002		Amount due (to)/from related party at 31 March 2001	
		Gross balance	Provision	Gross balance	Provision
		£	£	£	£
Steel Supply (Property) Limited	Subsidiary undertaking	349,442	(335,794)	346,570	(335,794)
SIC Developments Limited	Subsidiary undertaking	626,822	-	737,761	-
Rhossili Hotel Limited	Subsidiary undertaking	(2)	-	252,469	-
Charterflow Limited	Subsidiary undertaking	29,201	(29,201)	29,201	(29,201)
MC14 Limited	Subsidiary undertaking	(51,050)	-	(28,500)	-
Move It Transport	Subsidiary undertaking	190,558	-	(20,090)	-

Details of transactions and balances with directors are shown in note 12.

Other than those shown above, there were no provisions at 31 March 2002 in respect of amounts due to or from related parties and no amounts were written off in the year in respect of amounts due to or from related parties, other than those disclosed above.

21 Immediate and ultimate controlling party

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