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STEEL PLATE AND SECTIONS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED

30 JUNE 2006

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STEEL PLATE AND SECTIONS LIMITED

FINANCIAL STATEMENTS

Year ended 30 June 2006

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STEEL PLATE AND SECTIONS LIMITED

FINANCIAL STATEMENTS

Year ended 30 June 2006

Directors

J J Robbins
M N Robbins
A E Jones
G P Mullins

Secretary

J A Faulkner

Registered office

Mill House
Forge Lane
Sutton Coldfield
West Midlands
B76 1AH

Auditors

Cooper Parry LLP
3 Centro Place
Pride Park
Derby
DE24 8RF

Bankers

HSBC Bank PLC
130 New Street
Birmingham
B2 4JU

Solicitors

Hammonds
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Registered number

853935

STEEL PLATE AND SECTIONS LIMITED

CHAIRMAN'S STATEMENT

This statement and Business Review covers the operations and activities of our 41st year of trading. With the notable exception of our 40th year this is most successful year that we have ever had. Where the performance in 2005 was exceptional with the inclusion of several major projects in one year coupled with the dramatic price rises in the industry worldwide, 2006 can be considered an unexceptional year. Unexceptional in that there were no very large or mega projects in the year, and that there were no one-off stock profits from dramatically rising prices. It was however a very successful year in which the underlying trends of sales and profit growth were maintained and your company's position in the market grew stronger and more secure.

The international steel market remains in a state of foment with the Mittal/Arcelor merger/acquisition. The possible takeover of Corus by another Indian company TATA adds spice (sic) to the situation whilst the late Brazilian entry CSN may yet "Rumba" its way to a better deal, particularly as it has lots of iron ore. The Chinese seem to have passed seamlessly from net importer to exporter and the market is set for some major changes over the next couple of years. It is not thought that these changes will have any immediate impact on your company. In the longer term impact is inevitable but currently unquantifiable.

Our major market Offshore Oil is very busy and current development work is at a very high level. We are looking forward to a sustained flow of work in our sector in the medium term (3-5 years).

In previous years I have commended to you the efforts of all our staff for their hard work, commitment and enterprise. This year has seen how teamwork aided by the combination of individual flair and total dedication to quality has lifted the company's performance in all its markets. We are a relatively small team and we benefit from a short and clear chain of command. I am sure that you will join with me in thanking the team and their efforts thus far and hopefully into the future.

The strong performance of your company over the past three years has transformed its Balance Sheet. The company is now more securely funded than at any time in its history, which allows us much more flexibility to buy better.

Due to changes in the Companies Act 1985 we are now required henceforth to report on certain non-financial matters covering the areas of the environment, health and safety and employment training. Over the course of the rest of the financial year we will routinely monitor these areas and report to you in the required manner.

During the first half of the year there were signs of fatigue in the market that had risen so fast in the previous year and generally steel prices stalled and then fell back. This was far more marked in the general steel market than in our higher grade market. Several projects that had confidently been projected for the first half year were delayed and it was the strong level of day to day stock business that maintained our order books rather than large projects. Just as steel appeared to be easier to obtain the prices started to rise again and deliveries began to stretch further ahead. The current market is buoyant and margins are still good.

Sales during the year fell to £43.5m (down 29% on the prior year); this figure is however a rise of 14.5% over 2004. Profits have fallen back from the remarkable figures of last year but this year is still 60% higher than two years ago. This higher level of profitability gives your directors the confidence to pay a dividend of £5 per share in 2006/07.

Your directors have entered the current year with confidence that our policy of stocking technically advanced materials in or close to the markets where they will be used remains correct. To this end the company is about to open a new warehousing facility in Singapore and has advanced plans for hired storage in other regions.

JULIAN J ROBBINS
Chairman

STEEL PLATE AND SECTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the financial statements of the company for the year ended 30 June 2006.

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 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 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.

Principal activity

The company's principal activity during the year was that of steel stockholding.

Review of the business

The chairman's statement on page 2 contains a review of the business.

Results and dividends

The trading profit for the year after taxation amounted to £2,364,839 (2005: £5,671,711).

The directors propose a dividend of £nil in respect of the year ended 30 June 2006 (2005: £672,300).

Directors and their interests

The directors who have held office during the year are listed on page 1.

The beneficial interests of the directors, including family interests, in the ordinary share capital of the company are as follows:

	Ordinary shares of £ 1 each	
	30 June 2006	1 July 2005
J J Robbins	32,350	32,350
M N Robbins	18,881	18,881
A E Jones	-	-
G P Mullins	-	-

J J Robbins and G P Mullins retire by rotation and, being eligible, offer themselves for re-election.

The above shareholdings represent beneficial interests in the ordinary share capital of the company. J J Robbins and M N Robbins also have non-beneficial interests in the ordinary share capital of the company of 5,000 shares each (2005: 5,000 shares each).

STEEL PLATE AND SECTIONS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware. Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Cooper Parry LLP as auditors of the company will be put to the annual general meeting.

Signed on behalf of the board of directors



J A Faulkner

Secretary

Approved by the board on 22 November 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

STEEL PLATE AND SECTIONS LIMITED

We have audited the financial statements of Steel Plate and Sections Limited on pages 6 to 22 for the year ended 30 June 2006. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

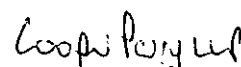
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985. In our opinion the information given in the Directors' Report is consistent with the financial statements.



COOPER PARRY LLP

DERBY

Chartered Accountants

22 November 2006

Registered Auditor

STEEL PLATE AND SECTIONS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2006

		2006	2005
	Notes	£	£
Turnover	2	43,500,629	63,822,994
Cost of sales		30,412,695	43,860,761
Gross profit		13,087,934	19,962,233
Distribution costs		3,787,430	5,508,038
Administrative expenses		5,565,939	5,976,186
Other operating income		(7,200)	-
Operating profit		3,741,765	8,478,009
Interest receivable	6	(20,794)	(6,147)
Interest payable	7	332,720	338,035
Profit on ordinary activities before taxation	3	3,429,839	8,146,121
Tax on profit on ordinary activities	8	1,065,000	2,474,410
Profit on ordinary activities after taxation	18	2,364,839	5,671,711

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 10 to 22 form part of these financial statements.

STEEL PLATE AND SECTIONS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 June 2006

	2006 £	2005 £
Profit for the financial year	2,364,839	5,671,711
Unrealised surplus on revaluation of properties	-	551,759
Total recognised gains and losses relating to the year	<u>2,364,839</u>	<u>6,223,470</u>
	2006 £	2005 £

Note of historical cost profits and losses

Reported profit on ordinary activities before taxation	3,429,839	8,146,121
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	4,987	1,639
Historical cost profit on ordinary activities before taxation	<u>3,434,826</u>	<u>8,147,760</u>
Historical cost profit for the year retained after taxation, extraordinary items and dividends	<u>2,158,605</u>	<u>5,413,350</u>

The notes on pages 10 to 22 form part of these financial statements.

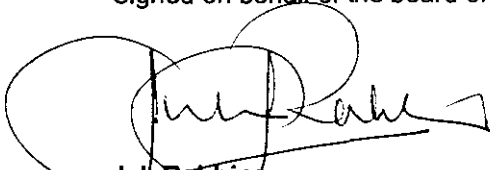
STEEL PLATE AND SECTIONS LIMITED

BALANCE SHEET

At 30 June 2006

	Notes	2006 £	2005 as restated £
Fixed assets			
Tangible assets	9 and 10	2,396,852	2,389,537
Current assets			
Stocks	11	7,843,647	11,591,633
Debtors	12	11,300,276	12,764,844
Cash at bank and in hand		288,561	765,625
		<u>19,432,484</u>	<u>25,122,102</u>
Creditors: amounts falling due within one year	13	<u>8,172,435</u>	<u>15,964,054</u>
Net current assets		<u>11,260,049</u>	<u>9,158,048</u>
Total assets less current liabilities		<u>13,656,901</u>	<u>11,547,585</u>
Creditors: amounts falling due after more than one year	14	687,336	721,638
Provisions for liabilities and charges	15	-	10,000
		<u>12,969,565</u>	<u>10,815,947</u>
Capital and reserves			
Called up share capital	17	74,700	74,700
Revaluation reserve	18	782,971	787,958
Other reserves	18	25,300	25,300
Profit and loss account	18	<u>12,086,594</u>	<u>9,927,989</u>
Shareholders' funds	19	<u>12,969,565</u>	<u>10,815,947</u>

Signed on behalf of the board of directors


J J Robbins
Director


M N Robbins
Director

Approved by the board on 22 November 2006

The notes on pages 10 to 22 form part of these financial statements.

STEEL PLATE AND SECTIONS LIMITED

CASH FLOW STATEMENT

Year ended 30 June 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	25	6,388,451	2,147,217
Returns on investments and servicing of finance			
Interest received	20,794	6,147	
Interest paid	(332,134)	(404,946)	
Interest element of finance lease rentals	(7,337)	(9,481)	
Net cash outflow for returns on investments and servicing of finance		(318,677)	(408,280)
Taxation		(2,345,361)	(1,280,410)
Capital expenditure			
Payments to acquire tangible assets	(156,008)	(89,496)	
Receipts from sales of tangible assets	34,035	20,250	
Net cash outflow for capital expenditure		(121,973)	(69,246)
Equity dividends paid		(211,221)	(260,000)
Net cash inflow before management of liquid resources and financing		3,373,816	129,281
Financing			
Repayment of loans	(33,088)	(768,837)	
Repayment of other short term loans	(150,000)	-	
Capital element of hire purchase contracts	(77,224)	(87,042)	
Net cash outflow from financing		(260,312)	(855,879)
Increase/(decrease) in cash in the year	27	3,113,504	(726,598)

The notes on pages 10 to 22 form part of these financial statements.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold property, and in accordance with applicable accounting standards.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 229 of the Companies Act 1985 as its subsidiary undertakings are dormant and are not material for the purposes of giving a true and fair view when taken together. The company's subsidiaries are Plasmacut Limited and Steel Plate & Sections (Scotland) Limited which have net assets of £1,000 and £2 respectively as at 30 June 2006 (2005: £1,000 and £2 respectively).

Turnover

Turnover represents the amounts derived from the supply of goods and services which fall within the company's activities, and is stated net of value added tax.

Fixed assets

Freehold land and buildings are carried at valuation as determined by qualified external valuers on an existing use basis.

Full professional valuations of all properties take place every five years, with interim valuations every three years.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19:

(i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Any impairment is taken to the profit and loss account for the year.

(ii) no depreciation or amortisation is provided in respect of freehold investment properties.

The directors consider that this accounting policy results in the financial statements giving a true and fair view.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

1 Accounting policies

(continued)

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at the following annual rates to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	2% per annum on cost or revaluation
Short leasehold improvements	Over the lease term
Plant and machinery	15% per annum
Office equipment	15% per annum
Computer equipment	20% per annum
Motor vehicles	25% reducing balance

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

Stocks

Stock is stated at the lower of cost and net realisable value. Cost comprises the purchase price of goods held for resale on a first-in, first-out basis.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Leased assets and assets acquired under hire purchase contracts

Assets acquired under finance leases and hire purchase contracts which give rights approximating to ownership have been capitalised at amounts equal to the original cost of the assets and depreciation has been provided on the basis of the company's depreciation policy. The capital element of future obligations are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account.

Payments made under operating leases are charged to the profit and loss account in the period to which they relate.

Pensions

Staff scheme

The company operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Directors' scheme

The company operates a money purchase pension scheme on behalf of two directors.

The amount charged against profits represents the contributions payable to the schemes in respect of the accounting year.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

1 Accounting policies

(continued)

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand and amounts drawn down under the invoice discounting arrangement.

Dividends and prior year adjustment

In previous years, dividends proposed at the balance sheet date have been shown on the face of the profit and loss account as a deduction from the result for the year and recognised as liabilities in the balance sheet. In accordance with Financial Reporting Standard 21 "Events after the Balance Sheet Date" and amendments to the Companies Act 1985, proposed dividends are no longer recognised as liabilities but disclosed in the statement of retained profits (note 18 to the financial statements) in the year in which they are proposed. They are deducted from retained profit in the year in which they are confirmed by the shareholders. Comparative figures have been restated and this has resulted in an increase of £672,300 in reported net assets at 30 June 2005.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity.

Turnover is analysed by geographical area as follows:

	2006 £	2005 £
United Kingdom	16,376,845	18,848,632
Rest of Europe	6,836,176	7,536,418
Middle East and Pacific Rim	19,548,852	37,273,388
North America	594,465	164,556
	<u>43,356,338</u>	<u>63,822,994</u>

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:

	2006 £	2005 £
Auditors' remuneration - audit	21,000	21,000
Auditors' remuneration - non audit services	2,000	2,000
Depreciation of owned tangible assets	103,809	92,656
Depreciation of tangible fixed assets held under finance leases and hire purchase agreements	39,064	43,443
Loss on disposal of tangible fixed assets	37,560	1,195
Operating lease charges - land and buildings	133,000	133,000
Operating lease charges - plant and machinery	16,925	6,419
	<u></u>	<u></u>

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

4 Directors' emoluments	2006	2005
	£	£
Emoluments	1,950,504	2,597,914
Company pension contributions to a defined contribution pension scheme	13,197	10,990

The number of directors for whom retirement benefits are accruing under a money purchase scheme amounted to two (2005: two).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	799,110	846,708
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5 Staff costs

The aggregate payroll costs including directors' emoluments were as follows:

	2006	2005
	£	£
Salaries and wages	3,904,107	4,478,449
Social security costs	469,338	573,985
Pension costs	115,439	97,171
	<u>4,488,884</u>	<u>5,149,605</u>

The average monthly number of employees during the year was as follows:

Sales and distribution	29	30
Administration	15	15
Production	36	36
	<u>80</u>	<u>81</u>

6 Interest receivable	2006	2005
	£	£
Bank interest	20,794	6,147

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

7	Interest payable	2006	2005
		£	£
	On bank loans and overdrafts	48,780	74,216
	Interest element of finance leases and hire purchase contracts	7,337	9,481
	On invoice discounting facility	270,726	248,942
	Other interest	5,877	5,396
		<u>332,720</u>	<u>338,035</u>
8	Taxation	2006	2005
		£	£
	Domestic current year tax		
	U.K. corporation tax	1,075,000	2,476,001
	Adjustment for prior years	-	(1,591)
		<u>1,075,000</u>	<u>2,474,410</u>
	Current tax charge		
		1,075,000	2,474,410
	Deferred tax		
	Deferred tax charge/credit current year	(10,000)	-
		<u>1,065,000</u>	<u>2,474,410</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	3,429,839	8,146,121
		<u>3,429,839</u>	<u>8,146,121</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	1,028,952	2,443,836
		<u>1,028,952</u>	<u>2,443,836</u>
	Effects of:		
	Expenses not deductible for tax purposes	34,199	33,012
	Capital allowances in excess of depreciation	11,849	2,790
	Other short term timing differences	-	(3,637)
	Adjustments in respect of previous periods	-	(1,591)
		<u>46,048</u>	<u>30,574</u>
	Current tax charge	1,075,000	2,474,410
		<u>1,075,000</u>	<u>2,474,410</u>

Factors that may affect future tax charges

It is unlikely that any tax would be payable if the revalued properties were sold at the revalued amount.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

9 Tangible fixed assets

	Freehold land and buildings	Short leasehold improve ments	Plant, equipment and motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 July 2005	1,500,000	197,758	1,350,665	3,048,423
Additions	-	-	221,783	221,783
Disposals	-	-	(358,692)	(358,692)
At 30 June 2006	<u>1,500,000</u>	<u>197,758</u>	<u>1,213,756</u>	<u>2,911,514</u>
Depreciation				
At 1 July 2005	-	197,758	936,128	1,133,886
On disposals	-	-	(287,097)	(287,097)
Charge for the year	16,500	-	126,373	142,873
At 30 June 2006	<u>16,500</u>	<u>197,758</u>	<u>775,404</u>	<u>989,662</u>
Net book value				
At 30 June 2006	<u>1,483,500</u>	<u>-</u>	<u>438,352</u>	<u>1,921,852</u>
At 30 June 2005	<u>1,500,000</u>	<u>-</u>	<u>414,537</u>	<u>1,914,537</u>

The freehold land and buildings were professionally valued at £1,500,000 on 9 February 2005 by Bache Trehame LLP, independent valuers on an existing use basis. This is reflected in the figures above.

The historical cost of the revalued freehold land and buildings is £1,046,664 (2005: £1,046,664) and the aggregate depreciation based on historical cost is £49,082 (2005: £37,569).

The net book value of plant, equipment and motor vehicles above includes an amount of £157,018 (2005: £141,667) in respect of assets held under finance leases or hire purchase agreements.

Included within freehold land and buildings at the year end is an amount attributable to the value of land £675,000 (2005: £675,000) which is not being depreciated.

10 Tangible fixed assets

	Investment properties £
Valuation	
At 1 July 2005 and at 30 June 2006	<u>475,000</u>

On 25th October 2005 the company's investment property was professionally valued on an open market basis by Marchand Petit Limited, independent valuers. The directors are of the opinion that this fairly represents the market value at the year end date and therefore it has been incorporated into the accounts as shown above.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

11 Stocks	2006	2005
	£	£
Finished goods and goods for resale	7,843,647	11,591,633

12 Debtors	2006	2005
	£	£
Trade debtors	8,850,494	10,815,784
Other debtors	2,270,031	1,807,837
Prepayments and accrued income	179,751	141,223
	<u>11,300,276</u>	<u>12,764,844</u>

Certain of the trade debtors are subject to an invoice discounting arrangement.

13 Creditors: amounts falling due within one year	2006	2005
	£	£
Bank loans and invoice discounting facility	1,946,980	5,556,114
Other loans	-	150,000
Trade creditors	4,933,481	7,570,704
Corporation tax	433,639	1,704,000
Other taxes and social security costs	458,573	601,530
Accruals and deferred income	352,199	325,071
Net obligations under finance leases and hire purchase contracts	47,563	56,635
	<u>8,172,435</u>	<u>15,964,054</u>

The company's invoice discounting facility is secured on certain of the company's trade debtors. The bank loan is secured by a mortgage over the company's freehold land and buildings. Obligations under finance lease and hire purchase agreements are secured on the assets concerned.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

14 Creditors: amounts falling due after more than one year	2006	2005
	£	£
Bank loans	645,754	677,679
Obligations under finance leases and hire purchase agreements	41,582	43,959
	<u>687,336</u>	<u>721,638</u>
Analysis of loans		
Not wholly repayable within five years by instalments	457,692	493,362
Wholly repayable within five years	227,344	374,762
	<u>685,036</u>	<u>868,124</u>
Included in current liabilities	(39,282)	(190,445)
	<u>645,754</u>	<u>677,679</u>
Loan maturity analysis		
Between one and two years	42,981	43,094
Between two and five years	145,081	141,223
In five years or more	457,692	493,362
	<u>645,754</u>	<u>677,679</u>

The bank loan is repayable by instalments of £72,634 per annum and interest is charged at a rate of 1% over the bank base rate.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

15 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 July 2005	10,000
Profit and loss account	(10,000)
	<hr/>
Balance at 30 June 2006	-
	<hr/>

Deferred taxation provided in the financial statements is as follows:

	2006 £	2005 £
Accelerated capital allowances	-	16,000
Other timing differences	-	(6,000)
	<hr/>	<hr/>
	-	10,000
	<hr/>	<hr/>

16 Leasing commitments

Annual commitments under operating leases at 30 June 2006 were as follows:

	Land and buildings		Plant and machinery	
	2006 £	2005 £	2006 £	2005 £
Expiring after one year, but within five years	-	-	16,925	6,149
Expiring after five years	133,000	133,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	133,000	133,000	16,925	6,149
	<hr/>	<hr/>	<hr/>	<hr/>

17 Called up share capital

	2006 £	2005 £
Authorised:		
125,000 Ordinary shares of £1 each	125,000	125,000
	<hr/>	<hr/>
Allotted, issued and fully paid:		
74,700 Ordinary shares of £1 each	74,700	74,700
	<hr/>	<hr/>

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

18 Statement of movements on reserves

	Revaluation reserve	Capital redemption reserve	Profit and loss account
	£	£	£
Balance at 1 July 2005	787,958	25,300	9,255,689
Prior year adjustment	-	-	672,300
Retained profit for the year	-	-	2,364,839
Transfer from revaluation reserve to profit and loss account	(4,987)	-	4,987
Dividends paid	-	-	(211,221)
Balance at 30 June 2006	<u>782,971</u>	<u>25,300</u>	<u>12,086,594</u>

19 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	2,364,839	5,671,711
Other recognised gains and losses	-	551,759
Dividends paid	(211,221)	(260,000)
Net addition to shareholders' funds	<u>2,153,618</u>	<u>5,963,470</u>
Opening shareholders' funds at 1 July 2005	<u>10,815,947</u>	<u>4,852,477</u>
Closing shareholders' funds at 30 June 2006	<u>12,969,565</u>	<u>10,815,947</u>

Opening shareholders' funds at 1 July 2005 were originally £10,143,647 before adding prior year adjustments of £672,300 in respect of dividends accrued but not formally declared at that date. Opening shareholders' funds at 1 July 2004 were originally £4,592,477 before adding a prior year adjustment of £260,000 again in respect of dividends accrued but not formally declared at that date.

20 Commitments

The company had entered into forward exchange contracts at the year end for the sale and purchase of Euros and US Dollars for the purpose of mitigating foreign exchange risk. The net value of these contracts was £938,957.

As part of its normal business activities, the company also enters into forward contracts for the purchase of steel, both for specific contracts and also for general stockholding purposes. At 30 June 2006 commitments to a value in the region of £9 million had been entered into.

21 Contingent liabilities

There are contingent liabilities in respect of a contract related guarantee for £157,479 entered into in the normal course of business and due to expire by 12 January 2009.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

22 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding		Maximum in year
	2006	2005	
	£	£	£
A E Jones	111,056	125,333	134,474
JJ Robbins	528,880	493,090	622,526
M N Robbins	390,376	176,665	390,376

The company has also guaranteed lease agreements for motor vehicles on behalf of the above directors. At 30 June 2006 the amount outstanding on these agreements was £205,222 (2005: £254,329).

23 Related party transactions

Included within 'other loans' is a loan of £nil (2005: £150,000) from a pension scheme of which J J Robbins and M N Robbins are trustees and beneficiaries. Interest accrued at a rate of 3% (2005: 3%) above bank base rate and was paid quarterly in arrears.

During the year the company paid rent to a trust of which J J Robbins is a trustee, totalling £133,000 (2005: £133,000) in respect of buildings occupied by the company in the course of its trade.

Included within 'other debtors' at the year end is an amount of £1,524 (2005: £787) owed by Mrs P Robbins, the mother of J J Robbins and M N Robbins.

During the year the company paid management fees to SPS Middle East FZE (a company owned by Buchnie Investments Limited, which is in turn owned by M N Robbins) of £180,000 (2005: £180,000), made sales of £nil (2005: £857,603) to SPS Middle East FZE, was recharged expenses of £161,947 (2005: £256,818) by SPS Middle East FZE and reimbursed SPS Middle East FZE for stock totalling £173,337 (2005: nil) which was purchased on its behalf. Included within 'other debtors' at the year end is an amount of £nil (2005: £849,788) owed by SPS Middle East FZE.

24 Control

The company is controlled by J J Robbins and M N Robbins.

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

25	Reconciliation of operating profit to net cash inflow from operating activities	2006	2005		
		£	£		
	Operating profit	3,741,765	8,478,009		
	Depreciation of tangible fixed assets	142,873	136,099		
	Loss on disposal of tangible fixed assets	37,559	1,195		
	Decrease/(increase) in stocks	3,747,986	(7,355,996)		
	Decrease/(increase) in debtors	1,464,568	(400,333)		
	(Decrease)/increase in creditors	(2,763,703)	1,288,243		
	Net cash inflow from operating activities	6,371,048	2,147,217		
26	Reconciliation of net cash flow to movement in net debt	2006	2005		
		£	£		
	Increase in cash in the year	3,130,907	(726,598)		
	Cash inflow from increase in debt and lease financing	260,312	855,879		
	Change in net debt resulting from cash flows	3,391,219	129,281		
	New finance lease	(65,775)	(13,336)		
	Movement in net debt in the year	3,325,444	115,945		
	Opening net debt	(5,718,762)	(5,834,707)		
	Closing net debt	(2,393,318)	(5,718,762)		
27	Analysis of net debt	1 July 2005	Cash flow	Other non-	30 June 2006
			cash changes		
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	765,625	(477,064)	-	288,561
	Bank overdrafts and invoice discounting facility	(5,515,669)	3,607,971	-	(1,907,698)
		(4,750,044)	3,130,907	-	(1,619,137)
	Net obligations under finance leases and hire purchase contracts	(100,594)	77,224	(65,775)	(89,145)
	Debts falling due within one year	(190,445)	194,097	(40,445)	(39,282)
	Debts falling due after one year	(677,679)	(11,009)	40,445	(645,754)
		(968,718)	260,312	(65,775)	(774,181)
	Net debt	(5,718,762)	3,391,219	(65,775)	(2,393,318)

STEEL PLATE AND SECTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 June 2006

28 Major non-cash transactions

The other non-cash changes of £65,775 relate to new hire purchase agreements in the year.