

D&J(Steels)Limited

Directors' Report and Financial Statements

Registered number 00993624

For the 15 months ended 31 December 2001



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Directors' report

The directors present their annual report and financial statements for the 15 months ended 31 December 2001.

Principal activity

The principal activity of the company continues to be that of steel stockholding.

Business review and future developments

Market conditions worsened during the year which led to a significant fall in both turnover and profitability, which was further affected by a large bad debt.

Dividends

The directors recommend that no final dividend be paid for the period ended 31 December 2001 (*year ended 30 September 2000: £Nil*).

Political contributions and charitable donations

The company made no charitable donations during the period (*year ended 30 September 2000: £100*). There were no political contributions.

Directors and their interests

The directors serving during the period were as follows:

DL Grove
 CJ Burr (appointed 26/07/01)
 HC Everett
 E Fisher
 P Harper

Mr DL Grove, Mr CJ Burr and Mr HC Everett are directors of the ultimate holding company, Hill & Smith Holdings PLC, and their interests in the shares and shares options of that company are shown in its financial statements.

The interests of the other directors in the shares and share options of Hill & Smith Holdings PLC are detailed as follows:

Shares

	31 December 2001	30 September 2000
P Harper	4,072	4,072

Share options

	At 30.9.00	Granted during year	Lapsed during year	At 31.12.01	Exercise price p	Date exercisable	Expiry date
E Fisher							
1	11,200	-	-	11,200	113.6	20.02.99	20.02.06
2	2,299	-	(2,299)	-			
2	2,454	-	-	2,454	66.0	01.04.02	01.10.02
2		8,855	-	8,855	41.3	01.03.04	01.09.04
	15,953	8,855	(2,299)	22,509			

Directors' report *(continued)*

Directors and their interests *(continued)*

		At 30.9.00	Granted during year	Lapsed during year	At 31.12.01	Exercise price p	Date exercisable	Expiry date
P Harper								
	1	11,200	-	-	11,200	113.6	20.02.99	20.02.06
	2	3,090	-	-	3,090	66.0	01.04.02	01.10.02
	2	4,355	-	-	4,355	41.3	01.03.04	01.09.04
		<hr/>	<hr/>	<hr/>	<hr/>			
		18,645	-	-	18,645			
		<hr/>	<hr/>	<hr/>	<hr/>			

Note 1: These options were granted under the 1995 Executive Share Option Scheme

Note 2: These options were granted under the 1995 Savings Related Share Option Scheme

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



HC Everett
Secretary

Springvale Business and Industrial Park
 Bilston
 West Midlands
 WV14 OQL

26 March 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 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 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.

kpmg

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditor's report to the members of D&J(Steels) Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, 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 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 March 2002

Profit and loss account
for the 15 months ended 31 December 2001

	<i>Note</i>	15 months ended 31 December 2001	Year ended 30 September 2000
		£'000	As restated £'000
Turnover	2	5,310	6,154
Cost of sales		(4,883)	(5,591)
		<hr/>	<hr/>
Gross profit		427	563
Distribution costs		(123)	(121)
Administrative expenses		(464)	(316)
		<hr/>	<hr/>
Operating (loss) / profit		(160)	126
Bank interest receivable		6	-
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before taxation	3	(154)	126
Tax on profit on ordinary activities	6	34	(42)
		<hr/>	<hr/>
Retained (loss) / profit for the period	13	(120)	84
		<hr/> <hr/>	<hr/> <hr/>

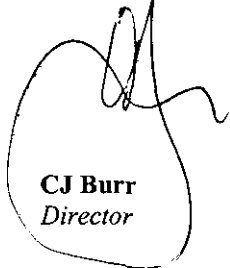
All operations are continuing.

There is no material difference between the results as shown in the profit and loss account and their historical cost equivalents.

Balance sheet
as at 31 December 2001

	<i>Note</i>	31 December 2001		30 September 2000	
		£'000	£'000	£'000	£'000
Fixed assets				As restated	
Tangible assets	7		614		674
Current assets					
Stocks	8	730		762	
Debtors	9	1,088		1,290	
Cash at bank and in hand		54		583	
		<u>1,872</u>		<u>2,635</u>	
Creditors: Amounts falling due within one year	10	<u>(1,738)</u>		<u>(2,438)</u>	
Net current assets			134		197
Total assets less current liabilities			<u>748</u>		<u>871</u>
Provisions for liabilities and charges	11		<u>(14)</u>		<u>(17)</u>
Net assets			<u>734</u>		<u>854</u>
Capital and reserves					
Called up share capital	12		6		6
Revaluation reserve			272		272
Profit and loss account	13		456		576
Equity shareholders' funds			<u>734</u>		<u>854</u>

These financial statements were approved by the board of directors on 26 March 2002 and signed on their behalf by:


CJ Burr
 Director


HC Everett
 Director

Statement of total recognised gains and losses
for the 15 months ended 31 December 2001

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 As restated £'000
(Loss) / profit for the financial year	(120)	84
Total recognised gains and losses relating to the period	(120)	84
Prior period adjustment (as explained in note 11)	(17)	
Total recognised gains and losses since last annual report	(137)	

Reconciliation of movements in shareholders' funds
for the 15 months ended 31 December 2001

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 As restated £'000
(Loss) / profit for the financial year	(120)	84
Opening shareholders' funds (Originally £871,000, restated for prior period adjustment of £17,000)	854	770
Closing equity shareholders' funds	734	854

Notes to 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 financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable Accounting Standards.

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 that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Plant, equipment and vehicles	- 4 to 20 years

No depreciation is provided on freehold land

Stocks and work in progress

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value.

Taxation

In preparing these financial statements, the company has adopted FRS19: Deferred Tax. This has resulted in a prior period adjustment as set out in note 11. Previously deferred tax was only provided on timing differences between the treatment of items for taxation and accounting purposes, to the extent that it was probable that an actual liability would crystallise.

Turnover

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied.

Pension scheme arrangements

Contributions are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' working lives with the company.

The company has adopted the transitional disclosure requirements of FRS17.

Leased assets

Assets acquired under finance lease and hire purchase contracts are capitalised and the future lease obligations are shown in creditors. Finance charges are allocated to the profit and loss account over the period of the lease.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2 Turnover

The turnover of the company is derived from the following geographical markets:

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 £'000
United Kingdom	5,281	6,152
Rest of Europe	29	2
	<hr/> 5,310 <hr/>	<hr/> 6,154 <hr/>

Notes to the financial statements (continued)

3 Profit on ordinary activities before taxation

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amortisation of owned assets	72	62
Operating leases:		
Land and buildings	-	1
Plant and equipment	1	4
Re-organisation of business	51	-
Auditors' remuneration	6	6
	<hr/>	<hr/>
after crediting:		
Profit on sale of tangible fixed assets	1	8
	<hr/>	<hr/>

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 £'000
Emoluments	136	102
	<hr/>	<hr/>
Number of directors who are members of defined benefit pension schemes	2	2
	<hr/>	<hr/>

5 Staff numbers and costs

The average number of persons employed by the company (including directors), all of whom were involved in the principal activity, was:

	15 months ended 31 December 2001 No.	Year ended 30 September 2000 No.
Sales and distribution	8	9
Administration	14	16
	<hr/>	<hr/>
	22	25
	<hr/>	<hr/>
	£'000	£'000
Their total remuneration was:		
Wages and salaries	551	427
Social security costs	49	34
Other pension costs	37	10
	<hr/>	<hr/>
	637	471
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

6 Tax on profit on ordinary activities

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 As restated £'000
UK corporation tax credit on loss of the period	(31)	41
Deferred tax – origination and reversal of timing differences	(3)	1
	<u>(34)</u>	<u>42</u>

The company has adopted FRS19: Deferred Tax. This has resulted in the restatement of the comparative figures increasing the deferred tax charge for the year ended 30 September 2000 by £16,000, turning the previously reported credit of £15,000 into a charge of £1,000. There is no material effect on the current year tax charge.

Factors affecting tax credit for the period:

The effective current tax credit for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	15 months ended 31 December 2001 £'000	Year ended 30 September 2000 £'000
(Loss) / profit on ordinary activities before taxation	(154)	126
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(46)	38
Expenses not deductible for tax purposes	12	4
Difference between capital allowances for period and depreciation	3	(1)
Current tax (credit) / charge	<u>(31)</u>	<u>41</u>

Notes to the financial statements (continued)

7 Tangible fixed assets

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation			
At beginning of period	456	599	1,055
Additions	-	12	12
Disposals	-	(8)	(8)
At end of period	456	603	1,059
Depreciation			
At beginning of period	5	376	381
Charge for the period	6	66	72
Disposals	-	(8)	(8)
At end of period	11	434	445
Net book value			
At 31 December 2001	445	169	614
At 30 September 2000	451	223	674

Freehold land and buildings were revalued at 30 September 1999 to £450,000, based on the directors' estimate of their open market value for existing use purposes, having taken appropriate professional advice.

The gross book value of land and buildings includes freehold land of £200,000 (30 September 2000: £200,000).

The amount of revalued property as determined according to the historical cost accounting rule is:

	31 December 2001 £'000	30 September 2000 £'000
Cost	262	262
Depreciation	(55)	(52)
Net book value	207	210

There were no contracted capital commitments in either the current or preceding years.

8 Stocks

	31 December 2001 £'000	30 September 2000 £'000
Raw materials and consumables	730	762

Notes to the financial statements (continued)

9 Debtors

	31 December 2001 £'000	30 September 2000 £'000
Trade debtors	1,038	1,260
Amounts owed by group undertakings	9	7
Prepayments and accrued income	13	23
Corporation tax	28	-
	<hr/> 1,088 <hr/>	<hr/> 1,290 <hr/>

10 Creditors: amounts falling due within one year

	31 December 2001 £'000	30 September 2000 £'000
Trade creditors	1,023	1,507
Amounts owed to group undertakings	572	805
Other creditors	7	4
Corporation tax	-	41
Other tax and social security	59	48
Accruals and deferred income	77	33
	<hr/> 1,738 <hr/>	<hr/> 2,438 <hr/>

11 Provision for liabilities and charges

Details of amounts provided for deferred taxation and movements in the period are set out below:

	£'000
At 30 September 2000 as previously reported	-
Prior year adjustment (see below)	17
	<hr/>
At 30 September 2000 as restated	17
Utilised in period	-
Profit and loss account	(3)
	<hr/>
At 31 December 2001	14
	<hr/> <hr/>

	31 December 2001 £'000	30 September 2000 £'000
Difference between accumulated depreciation, amortisation and capital allowances	14	17

The prior year adjustment relates to the adoption of FRS 19: Deferred Taxation, and comprises:

	£'000
Increase in provision for deferred taxation at 30 September 1999	1
Increase in charge for deferred taxation for period ended 30 September 2000	16
	<hr/> 17 <hr/>

Notes to the financial statements (continued)

12 Share capital

	31 December 2001 £'000	30 September 2000 £'000
Authorised:		
10,000 ordinary shares of £1 each	10	10
Allotted called up and fully paid:		
6,000 ordinary shares of £1 each	6	6

13 Profit and loss account

	£'000
At 30 September 2000 as previously reported	593
Prior period adjustment	(17)
At 30 September 2000 as restated	576
Retained loss for the period	(120)
At 31 December 2001	456

14 Contingent liabilities

The company is a party to cross-guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries.

The company has a bond, guarantee and indemnity to Customs & Excise for £6,000 (30 September 2000: £6,000).

15 Financial commitments

	Land and buildings 31 December 2001 £'000	30 September 2000 £'000
Leases expiring:		
Within one year	1	1

16 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and was a member of the Hill & Smith Group Pension and Assurance Scheme. Benefits under this scheme ceased accruing as at 5 April 2001. The company now contributes to two new group pension schemes; one providing benefits accruing in the future on a defined benefit basis and a second scheme providing benefits that are on a defined contribution basis. Details of the scheme and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC. The company's pension cost charge for the year was £30,000 (year ended 30 September 2000: £4,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The company also operates its own defined contribution scheme, the assets of which are held separately from those of the company in an independently administered fund. The pensions cost of this scheme for the year, representing contributions payable by the company to the fund, were £7,000 (year ended 30 September 2000: £6,000).

Notes to the financial statements *(continued)*

The company is a member of the Group pension scheme which provides benefits on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17: Retirement Benefits, the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if they were defined contribution schemes.

17 Related party transactions

The company has taken advantage of the exemption available under FRS8: Related Party Transactions not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

18 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from group headquarters:

2 Highlands Court
Cranmore Avenue
Shirley, Solihull
B90 4LE