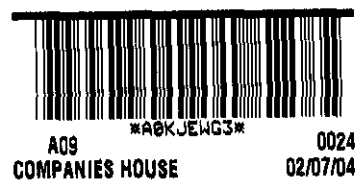


**D&J (Steels) Limited**

**Directors' report and financial  
statements**

**Registered number 00993624**

**For the year ended 31 December 2003**



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## Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2003.

### Principal activity

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

### Business review and future developments

Given the continued difficult trading conditions in 2003 the directors regard the financial position at the year end to be satisfactory.

With the recent increase in world steel demand and consequent buoyant prices the directors anticipate better gross margins in 2004 leading to an improved financial performance.

### Dividends

The directors recommend that a final dividend of £Nil be paid for the year ended 31 December 2003 (2002: £250,000).

### Political contributions and charitable donations

The company made no charitable donations nor political contributions during the year (2002: £Nil).

### Directors and their interests

The directors serving during the year were as follows:

DL Grove  
CJ Burr  
HC Everett (resigned 31 December 2003)  
E Fisher  
P Harper

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove and Mr CJ Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Mr HC Everett was also a director of Hill & Smith Holdings PLC until he resigned on 31 December 2003. All three of these directors' interests in the shares and share 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

	2003	2002
P Harper	4,072	4,072

## Directors' report *(continued)*

### Directors and their interests *(continued)*

#### Share options

	At beginning and end of year	Exercise price  price p	Date exercisable	Expiry date	Note no
<b>E Fisher</b>					
	11,200	113.6	20.02.09	20.02.06	1
	8,855	41.3	01.03.04	01.09.04	2
	<hr/> 22,509 <hr/>				
<b>P Harper</b>					
	11,200	113.6	20.02.99	20.02.06	1
	4,355	41.3	01.03.04	01.09.04	2
	<hr/> 15,555 <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

**CJ Burr**  
 Secretary

2 Highlands Court  
 Cranmore Avenue  
 Shirley  
 Solihull  
 West Midlands  
 B90 4LE

16 March 2004

## **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 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.

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 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

16 March 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
<b>Turnover</b>	<b>2</b>	<b>3,015</b>	3,032
Cost of sales		<b>(2,700)</b>	(2,748)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>315</b>	284
Distribution costs		<b>(65)</b>	(74)
Administrative expenses		<b>(284)</b>	(198)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		<b>(34)</b>	12
Bank interest receivable		<b>4</b>	1
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>3</b>	<b>(30)</b>	13
Tax on (loss)/profit on ordinary activities	<b>6</b>	<b>3</b>	-
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(27)</b>	13
Dividends		<b>-</b>	(250)
		<hr/>	<hr/>
<b>Retained loss for the year</b>	<b>13</b>	<b>(27)</b>	(237)
		<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.

There were no recognised gains or losses during the current or preceding year apart from the profit for the financial year shown above.

**Balance sheet**  
*as at 31 December 2003*

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	7	525	561
<b>Current assets</b>			
Stocks	8	479	622
Debtors	9	781	773
Cash at bank and in hand		109	206
		<u>1,369</u>	<u>1,601</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(1,414)</u>	<u>(1,655)</u>
<b>Net current liabilities</b>		(45)	(54)
<b>Total assets less current liabilities</b>		<u>480</u>	<u>507</u>
<b>Provisions for liabilities and charges</b>	11	<u>(10)</u>	<u>(10)</u>
<b>Net assets</b>		<u>470</u>	<u>497</u>
<b>Capital and reserves</b>			
Called up share capital	12	6	6
Revaluation reserve		236	254
Profit and loss account	13	228	237
<b>Equity shareholder's funds</b>		<u>470</u>	<u>497</u>

These financial statements were approved by the board of directors on 16 March 2004 and signed on their behalf by:

**E Fisher**  
Director

**P Harper**  
Director



**Reconciliation of movements in shareholder's funds**  
*for the year ended 31 December 2003*

	2003 £000	2002 £000
<i>Loss for the financial year</i>	(27)	(237)
Opening shareholder's funds	497	734
<b>Closing equity shareholder's funds</b>	<b>470</b>	<b>497</b>

## 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 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. The company has applied the transitional rules contained in FRS 15: *Tangible fixed assets* to retain previous valuations as the basis on which certain of these assets are held.

#### ***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***

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.

#### ***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 FRS 17.

#### ***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.

## Notes (continued)

### 2 Turnover

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

	2003 £000	2002 £000
United Kingdom	3,015	3,028
Rest of Europe	-	4
	<u>3,015</u>	<u>3,032</u>

### 3 (Loss)/profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		

*after charging:*

Depreciation and amortisation of owned assets	36	47
Auditor's remuneration	6	5

*after crediting:*

Profit on sale of tangible fixed assets	-	2
	<u>-</u>	<u>2</u>

### 4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2003 £000	2002 £000
Emoluments	91	91
Number of directors who are members of defined benefit pension schemes	2	2

## Notes (continued)

### 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:

	2003 Number	2002 Number
Sales and distribution	11	11
Administration	5	6
	<hr/> 16	<hr/> 17
	<hr/>	<hr/>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	303	274
Social security costs	26	30
Other pension costs	23	32
	<hr/> 352	<hr/> 336
	<hr/>	<hr/>

### 6 Tax on (loss)/profit on ordinary activities

*Analysis of (credit)/charge in year*

	2003 £000	2002 £000
<i>Corporation tax</i>		
Current tax on income for the year	(3)	4
	<hr/> (3)	<hr/> 4
Total current tax	(3)	4
<i>Effects of:</i>		
Origination/reversal of timing differences	-	8
Relating to prior year	-	(12)
	<hr/> (3)	<hr/> -
	<hr/>	<hr/>

## Notes (continued)

### 6 Tax on (loss)/profit on ordinary activities (continued)

*Factors affecting tax (credit)/charge for the year:*

The effective current tax (credit)/charge for the year is lower (2002: same as) than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(30)	13
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(9)	4
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	8
Difference between capital allowances for year and depreciation	(1)	4
Income and expenditure timing differences	1	(12)
Current tax (credit)/charge	(3)	4

### 7 Tangible fixed assets

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	456	577	1,033
Disposals	-	(60)	(60)
At end of year	456	517	973
<i>Depreciation</i>			
At beginning of year	16	456	472
Charge for the year	6	30	36
Disposals	-	(60)	(60)
At end of year	22	426	448
<i>Net book value</i>			
At 31 December 2003	434	91	525
At 31 December 2002	440	121	561

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 (2002: £200,000).

**Notes (continued)**

**7 Tangible fixed assets (continued)**

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

	2003 £000	2002 £000
Cost	262	262
Depreciation	(63)	(58)
	<hr/>	<hr/>
Net book value	199	204
	<hr/>	<hr/>

**8 Stocks**

	2003 £000	2002 £000
Finished goods and goods for resale	479	622
	<hr/>	<hr/>

**9 Debtors**

	2003 £000	2002 £000
Trade debtors	735	702
Amounts owed by group undertakings	33	40
Prepayments and accrued income	12	31
Corporation tax	1	-
	<hr/>	<hr/>
	781	773
	<hr/>	<hr/>

**10 Creditors: amounts falling due within one year**

	2003 £000	2002 £000
Trade creditors	773	780
Amounts owed to group undertakings	583	823
Corporation tax	-	6
Other tax and social security	37	25
Accruals and deferred income	21	21
	<hr/>	<hr/>
	1,414	1,655
	<hr/>	<hr/>

## Notes (continued)

### 11 Provision for liabilities and charges

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

	<b>£000</b>	
At beginning and end of year		10
	<b>2003</b>	2002
	<b>£000</b>	<b>£000</b>
Difference between accumulated depreciation, amortisation and capital allowances	11	10
Other timing differences	(1)	-
	<b>10</b>	<b>10</b>

### 12 Share capital

	<b>2003</b>	2002
	<b>£000</b>	<b>£000</b>
<i>Authorised:</i>		
10,000 ordinary shares of £1 each	10	10
<i>Allotted called up and fully paid:</i>		
6,000 ordinary shares of £1 each	6	6

### 13 Movement on reserves

	<b>Revaluation reserve £000</b>	<b>Profit and loss account £000</b>
At beginning of year	254	237
Retained loss for the year	-	(27)
Transfer	(18)	18
<b>At end of year</b>	<b>236</b>	<b>228</b>

### 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 of £61,153,000 (2002 £68,480,000).

The company has a bond, guarantee and indemnity to Customs & Excise for £Nil (2002: £20,000).

## Notes (continued)

### 15 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 £14,000 (2002: £30,000). 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 £9,000 (2002: £2,000).

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 FRS 17: *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.

### 16 Related party transactions

The company has taken advantage of the exemption available under FRS 8: *Related party transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

### 17 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