

Dyfed Steels Limited
Consolidated financial statements
For the year ended 31 January 2004

Grant Thornton 



Company No. 1287461

Officers and professional advisers

Company registration number	1287461
Registered office	Tube Works Maescanner Road Dafen Llanelli
Directors	D W Thomas D R Evans R Price
Secretary	R Price
Bankers	HSBC Bank Plc Swansea DSC Ty Dyffryn Atlantic Close Swansea Enterprise Park Swansea SA7 9FJ
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 11-13 Penhill Road Cardiff CF11 9UP

Contents index

Report of the directors	4 - 5
Report of the independent auditors	6 - 7
Principal accounting policies	8 - 9
Group profit and loss account	10
Group balance sheet	11
Company balance sheet	12
Group cash flow	13
Other primary statements	14
Notes to the consolidated financial statements	15 - 26

Report of the directors

The directors present their report and the Consolidated financial statements of the group for the year ended 31 January 2004.

Principal activities and business review

The principal activity of the company during the year was that of metal stockholders.

There was a profit for the year after taxation and before dividends amounting to £63,220(2003 :£92,749)

Results and dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the attached Consolidated financial statements.

The directors have not recommended a dividend.

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 January 2004	At 1 February 2003 or later date of appointment
D W Thomas	44,999	44,999
D R Evans	1	1
R Price	—	—

R Price was appointed as a director on 14 April 2003.

Directors' responsibilities

Company law requires the directors to prepare Consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the group's profit or loss for the year then ended. In preparing those Consolidated 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 Consolidated financial statements
- prepare the Consolidated financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.


The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



R Price
Secretary

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- 1 OCT 2004

Report of the independent auditors to the members of Dyfed Steels Limited

We have audited the Consolidated financial statements of Dyfed Steels Limited for the year ended 31 January 2004 which comprise the principal accounting policies, group profit and loss account, group balance sheet and company balance sheet, group cash flow, group statement of total recognised gains and losses and notes 1 to 25. These Consolidated financial statements have been prepared under 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 auditors' 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' responsibilities for preparing the report of the directors and the Consolidated financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Consolidated financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the Consolidated 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 Consolidated 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.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited Consolidated financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 Consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Consolidated financial statements, and of whether the accounting policies are appropriate to the group'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 Consolidated 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 Consolidated financial statements.

Opinion

In our opinion the Consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 January 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Grant Thornton UK LLP', is written over the printed name of the firm.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CARDIFF

20 OCT 2004

Principal accounting policies

Basis of accounting

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

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the group profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Goodwill	- 10 years
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Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Freehold Property	- 2% reducing balance
Plant & Machinery	- 20% reducing balance
Fixtures & Fittings	- 15% reducing balance
Motor Vehicles	- 25% reducing balance

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the group profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Group profit and loss account

	Note	2004 £	2003 £
Group turnover	1	24,484,460	23,943,146
Cost of sales		16,186,145	16,305,321
Gross profit		8,298,315	7,637,825
Other operating charges	2	8,176,687	7,437,035
Other operating income		—	(14,887)
Operating profit	3	121,628	215,677
Loss on disposal of investments	6	—	(9,913)
Interest payable	7	50,102	102,925
Profit on ordinary activities before taxation		71,526	102,839
Tax on profit on ordinary activities	8	8,306	10,090
Retained profit for the financial year	9	63,220	92,749

All of the activities of the company are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Consolidated balance sheet

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	10	95,605	107,740
Tangible assets	11	5,085,285	4,238,246
Investments	12	—	—
		<u>5,180,890</u>	<u>4,345,986</u>
Current assets			
Stocks	13	4,371,617	4,185,367
Debtors	14	6,272,148	6,176,437
Cash in hand		400	21
		<u>10,644,165</u>	<u>10,361,825</u>
Creditors: amounts falling due within one year	15	<u>11,544,671</u>	<u>12,210,414</u>
Net current liabilities		<u>(900,506)</u>	<u>(1,848,589)</u>
Total assets less current liabilities		<u>4,280,384</u>	<u>2,497,397</u>
Creditors: amounts falling due after more than one year	16	<u>1,328,490</u>	<u>212,975</u>
		<u>2,951,894</u>	<u>2,284,422</u>
Provisions for liabilities and charges			
Deferred taxation	18	<u>10,297</u>	<u>6,979</u>
		<u>2,941,597</u>	<u>2,277,443</u>
Capital and reserves			
Called-up equity share capital	21	45,000	45,000
Revaluation reserve	22	1,232,350	631,416
Profit and loss account	22	1,664,247	1,601,027
Shareholders' funds	23	<u>2,941,597</u>	<u>2,277,443</u>

These Consolidated financial statements were approved by the directors on 15th October 2004 and are signed on their behalf by

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D W Thomas

Company balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	11	3,973,651	3,337,820
Investments	12	234,346	234,346
		<u>4,207,997</u>	<u>3,572,166</u>
Current assets			
Stocks	13	3,702,947	3,578,748
Debtors	14	5,862,908	5,158,971
		<u>9,565,855</u>	<u>8,737,719</u>
Creditors: amounts falling due within one year	15	<u>10,151,938</u>	<u>10,407,088</u>
Net current liabilities		<u>(586,083)</u>	<u>(1,669,369)</u>
Total assets less current liabilities		<u>3,621,914</u>	<u>1,902,797</u>
Creditors: amounts falling due after more than one year	16	<u>1,107,238</u>	<u>52,204</u>
		<u>2,514,676</u>	<u>1,850,593</u>
Capital and reserves			
Called-up equity share capital	21	45,000	45,000
Revaluation reserve	22	882,350	281,416
Profit and loss account	22	1,587,326	1,524,177
Shareholders' funds		<u>2,514,676</u>	<u>1,850,593</u>

These Consolidated financial statements were approved by the directors on 1st Oct 2004 and are signed on their behalf by:


D W Thomas

Group cash flow

	Note	2004 £	2003 £
Net cash inflow from operating activities	24	620,858	529,776
Returns on investments and servicing of finance	24	(50,102)	(102,925)
Taxation	24	(64)	(2,247)
Capital expenditure and financial investment	24	(188,039)	(770,922)
Acquisitions and disposals			
Acquisition of shares in group undertakings		—	(2)
Net cash outflow from acquisitions and disposals		—	(2)
Cash inflow/(outflow) before financing		382,653	(346,320)
Financing	24	249,616	308,107
Increase/(decrease) in cash	24	632,269	(38,213)

Other primary statements

Statement of total recognised gains and losses

	2004 £	2003 £
Profit for the financial year attributable to the shareholders of the parent company	63,220	92,749
Unrealised profit on revaluation of certain fixed assets	600,934	350,000
Total gains and losses recognised for the year	<u>664,154</u>	<u>442,749</u>

Notes to the consolidated financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.
An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	24,206,964	23,943,146
Overseas	277,496	—
	<u>24,484,460</u>	<u>23,943,146</u>

2 Other operating income and charges

	2004 £	2003 £
Administrative expenses	8,176,687	7,437,035
Other operating income	—	(14,887)
	<u>8,176,687</u>	<u>7,422,148</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Directors' emoluments	103,006	98,772
Amortisation	12,135	12,131
Depreciation of owned fixed assets	233,333	237,426
Depreciation of assets held under finance leases and hire purchase agreements	100,213	126,678
Profit on disposal of fixed assets	(100)	—
Auditors' remuneration:		
Audit fees	25,500	14,340
Operating lease costs:		
Plant and equipment	<u>10,499</u>	<u>11,664</u>

4 Particulars of employees directors and employees

The average number of staff employed by the group during the financial year amounted to:

	2004 No	2003 No
Production and distribution	128	128
Sales and administration	61	43
	<u>189</u>	<u>171</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	3,748,649	3,608,940
Social security costs	313,295	239,759
Other pension costs	58,185	59,308
	<u>4,120,129</u>	<u>3,908,007</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	<u>103,006</u>	<u>86,772</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2004 No	2003 No
Money purchase schemes	<u>1</u>	<u>1</u>

6 loss on disposal of investments

	2004 £	2003 £
	<u>-</u>	<u>9,913</u>

7 Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank borrowing	13,343	62,182
Finance charges	36,759	40,743
	<u>50,102</u>	<u>102,925</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at -% (2003 - -%)	5,752	10,886
(Over)/under provision in prior year	(764)	-
Total current tax	<u>4,988</u>	<u>10,886</u>
Deferred tax:		
Increase/(decrease) in deferred tax provision	3,318	(796)
Tax on profit on ordinary activities	<u>8,306</u>	<u>10,090</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of -% (2003 - -%).

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>71,526</u>	<u>102,839</u>
Profit/(loss) on ordinary activities by rate of tax	13,590	19,540
Expenses not deducted for tax purposes	12,779	12,637
Capital allowances for period in excess of depreciation	(15,688)	1,278
Changes in corporation tax rates	-	72
Trading losses carried forward	-	(22,641)
Non qualifying depreciation	9,499	-
Adjustments to tax charge in respect of previous periods	(764)	-
Other timing differences	(14,428)	-
Total current tax (note 8(a))	<u>4,988</u>	<u>10,886</u>

9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £63,149 (2003 - £83,918).

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 February 2003 and 31 January 2004	<u>121,309</u>
Amortisation	
At 1 February 2003	13,569
Charge for the year	<u>12,135</u>
At 31 January 2004	<u>25,704</u>
Net book value	
At 31 January 2004	<u>95,605</u>
At 31 January 2003	<u>107,740</u>

11 Tangible fixed assets

Group	Freehold & Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
Cost or valuation						
At 1 Feb 2003	3,478,746	2,027,475	238,149	1,957,694	10,000	7,712,064
Additions	94,285	234,736	97,069	166,070	2,018	594,178
Disposals	—	—	—	(32,095)	—	(32,095)
Revaluation	155,558	—	—	—	—	155,558
At 31 Jan 2004	<u>3,728,589</u>	<u>2,262,211</u>	<u>335,218</u>	<u>2,091,669</u>	<u>12,018</u>	<u>8,429,705</u>
Depreciation						
At 1 Feb 2003	415,227	1,403,096	126,552	1,527,443	1,500	3,473,818
Charge for the year	51,139	137,709	19,732	123,528	1,441	333,549
On disposals	—	—	—	(17,571)	—	(17,571)
Revaluation adjustment	(445,376)	—	—	—	—	(445,376)
At 31 Jan 2004	<u>20,990</u>	<u>1,540,805</u>	<u>146,284</u>	<u>1,633,400</u>	<u>2,941</u>	<u>3,344,420</u>
Net book value						
At 31 Jan 2004	<u>3,707,599</u>	<u>721,406</u>	<u>188,934</u>	<u>458,269</u>	<u>9,077</u>	<u>5,085,285</u>
At 31 Jan 2003	<u>3,063,519</u>	<u>624,379</u>	<u>111,597</u>	<u>430,251</u>	<u>8,500</u>	<u>4,238,246</u>

Included within the net book value of £5,085,285 is £318,328 (2003 - £460,028) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the Consolidated financial statements in the year in respect of such assets amounted to £100,213 (2003 - £126,678).

11 Tangible fixed assets (continued)

On the 31 January 2004 Freehold land and buildings were revalued on the basis of market value to £2,993,342. They had been included on 1 February 2003 at a cost of £2,837,784.

Company	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation					
At 1 February 2003	2,837,784	1,887,858	150,564	1,706,594	6,582,800
Additions	—	96,340	85,650	132,000	313,990
Revaluation	155,558	—	—	—	155,558
Transfers between group companies	—	—	—	(49,000)	(49,000)
At 31 January 2004	<u>2,993,342</u>	<u>1,984,198</u>	<u>236,214</u>	<u>1,789,594</u>	<u>7,003,348</u>
Depreciation					
At 1 February 2003	411,382	1,348,209	86,835	1,398,554	3,244,980
Charge for the year	48,528	112,198	11,461	84,367	256,554
Revaluation adjustment	(445,376)	—	—	—	(445,376)
Transfers between group companies	—	—	—	(26,461)	(26,461)
At 31 January 2004	<u>14,534</u>	<u>1,460,407</u>	<u>98,296</u>	<u>1,456,460</u>	<u>3,029,697</u>
Net book value					
At 31 January 2004	<u>2,978,808</u>	<u>523,791</u>	<u>137,918</u>	<u>333,134</u>	<u>3,973,651</u>
At 31 January 2003	<u>2,426,402</u>	<u>539,649</u>	<u>63,729</u>	<u>308,040</u>	<u>3,337,820</u>

Included within the net book value of £3,973,651 is £Nil (2003 - £Nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the Consolidated financial statements in the year in respect of such assets amounted to £Nil (2003 - £Nil).

On the 31 January 2004 Freehold land and buildings were revalued on the basis of market value to £2,993,342. They had been included on 1 February 2003 at a cost of £2,837,784.

12 Investments

Group	Other investments £
Cost	
At 1 February 2003 and 31 January 2004	<u>30,000</u>
Amounts written off	
At 1 February 2003 and 31 January 2004	<u>30,000</u>
Net book value	
At 31 January 2004	<u>—</u>

12 Investments (continued)

Company	Group companies	Other investments	Total
	£	£	£
Cost			
At 1 February 2003 and 31 January 2004	<u>234,346</u>	<u>30,000</u>	<u>264,346</u>
Amounts written off			
At 1 February 2003 and 31 January 2004	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net book value			
At 31 January 2004	<u>234,346</u>	<u>-</u>	<u>234,346</u>
At 31 January 2003	<u>234,346</u>	<u>-</u>	<u>234,346</u>

	Nature of business	Country of incorporation	Proportion of voting right held	Holding
DS Southern Limited	Steel Stockholders	England	100%	Ordinary shares
Ex Stock Steel Limited	Steel Stockholders	England	100%	Ordinary shares
Excel Stock Steel Limited	Steel Stockholders	England	100%	Ordinary shares
Dyfed Steel Midwales Limited	Steel Stockholders	England	100%	Ordinary shares
Dyfed Steel Southwest Limited	Steel Stockholders	England	100%	Ordinary shares

13 Stocks

	2004 £	The group 2003 £	2004 £	The company 2003 £
Raw materials	<u>4,371,617</u>	<u>4,185,367</u>	<u>3,702,947</u>	<u>3,578,748</u>

14 Debtors

	2004	The group 2003	2004	The company 2003
	£	£	£	£
Trade debtors	6,196,309	6,107,339	4,233,633	4,510,273
Amounts owed by group undertakings	—	—	1,573,273	594,072
Other debtors	—	28,681	—	28,681
Prepayments and accrued income	75,839	40,417	56,002	25,945
	<u>6,272,148</u>	<u>6,176,437</u>	<u>5,862,908</u>	<u>5,158,971</u>

15 Creditors: amounts falling due within one year

	2004	The group 2003	2004	The company 2003
	£	£	£	£
Bank loans and overdrafts	228,138	1,291,490	356,997	955,949
Trade creditors	6,304,582	6,288,059	5,805,499	5,711,743
Amounts owed to group undertakings	—	—	477,795	96,548
Amounts due under finance leases and hire purchase agreements	115,926	158,848	101,339	138,533
Corporation tax	13,563	8,639	—	2,853
Other taxation and social security	322,521	279,275	234,595	286,171
Other creditors	4,476,054	3,960,026	3,121,086	3,027,214
Accruals and deferred income	83,887	224,077	54,627	188,077
	<u>11,544,671</u>	<u>12,210,414</u>	<u>10,151,938</u>	<u>10,407,088</u>

The following liabilities disclosed under creditors falling due within one year are secured by a fixed as floating charge over the assets of the company:

	2004	The group 2003	2004	The company 2003
	£	£	£	£
Bank loans and overdrafts	<u>356,997</u>	<u>981,886</u>	<u>356,997</u>	<u>—</u>

16 Creditors: amounts falling due after more than one year

	2004	The group 2003	2004	The company 2003
	£	£	£	£
Bank loans and overdrafts	1,077,104	185,773	863,490	43,844
Amounts due under finance leases and hire purchase agreements	251,386	27,202	243,748	8,360
	<u>1,328,490</u>	<u>212,975</u>	<u>1,107,238</u>	<u>52,204</u>

16 Creditors: amounts falling due after more than one year (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured by a fixed and floating charge over the assets of the company:

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	<u>1,077,104</u>	<u>141,929</u>	<u>863,490</u>	<u>-</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	<u>695,215</u>	<u>20,925</u>	<u>-</u>	<u>-</u>

The bank loan is repayable in instalments and interest is charge on the loan at a rate of 1.75% above base.

17 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Amounts payable within 1 year	115,926	158,848	101,339	-
Amounts payable between 1 and 2 years	100,943	18,955	93,300	-
Amounts payable between 3 and 5 years	150,443	8,247	150,443	-
	<u>367,312</u>	<u>186,050</u>	<u>345,082</u>	<u>-</u>

18 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Provision brought forward	6,979	7,775	-	-
Increase/(Decrease) in provision	3,318	(796)	-	-
Provision carried forward	<u>10,297</u>	<u>6,979</u>	<u>-</u>	<u>-</u>

19 Commitments under operating leases

At 31 January 2004 the group had annual commitments under non-cancellable operating leases as set out below.

The group	Assets other than land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>25,459</u>	<u>-</u>

20 Related party transactions

The company was under the control of Mr D Thomas throughout the current and previous year. Mr Thomas is the managing director and majority shareholder.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

21 Share capital

Authorised share capital:

	2004	2003
	£	£
45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

22 Reserves

Group	Revaluation reserve	Profit and loss account
	£	£
At 1 February 2003	631,416	1,601,027
Retained profit for the year	-	63,220
Other gains and losses		
Revaluation of fixed assets	600,934	-
At 31 January 2004	<u>1,232,350</u>	<u>1,664,247</u>

22 Reserves (continued)

Company	Revaluation reserve £	Profit and loss account £
At 1 February 2003	281,416	1,524,177
Retained profit for the year	—	63,149
Other gains and losses		
Revaluation of fixed assets	600,934	—
At 31 January 2004	<u>882,350</u>	<u>1,587,326</u>

23 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	63,220	92,749
Other net recognised gains and losses	600,934	350,000
	<u>664,154</u>	<u>442,749</u>
Transfer from revaluation reserve	—	5,743
Transfer to profit and loss account	—	(5,743)
Net addition to funds	664,154	442,749
Opening shareholders' equity funds	2,277,443	1,834,694
Closing shareholders' equity funds	<u>2,941,597</u>	<u>2,277,443</u>

24 Notes to the statement of cash flows**Reconciliation of operating profit to net cash inflow from operating activities**

	2004 £	2003 £
Operating profit	121,628	215,677
Amortisation	12,135	12,131
Depreciation	333,549	364,104
Profit on disposal of fixed assets	(100)	—
(Increase)/decrease in stocks	(186,250)	439,193
Increase in debtors	(95,711)	(133,708)
Increase/(decrease) in creditors	435,607	(367,621)
Net cash inflow from operating activities	<u>620,858</u>	<u>529,776</u>

24 Notes to the statement of cash flows (continued)**Returns on investments and servicing of finance**

	2004	2003
	£	£
Interest paid	(13,343)	(62,182)
Interest element of finance leases and hire purchase	(36,759)	(40,743)
Net cash outflow from returns on investments and servicing of finance	<u>(50,102)</u>	<u>(102,925)</u>

Taxation

	2004	2003
	£	£
Taxation	<u>(64)</u>	<u>(2,247)</u>

Capital expenditure

	2004	2003
	£	£
Payments to acquire intangible fixed assets	—	(35,000)
Payments to acquire tangible fixed assets	(202,663)	(740,369)
Receipts from sale of fixed assets	14,624	4,447
Net cash outflow from capital expenditure	<u>(188,039)</u>	<u>(770,922)</u>

Financing

	2004	2003
	£	£
New bank loans	577,310	—
Repayment of bank loans	(117,441)	591,592
Capital element of finance leases and hire purchase	(210,253)	(283,485)
Net cash inflow from financing	<u>249,616</u>	<u>308,107</u>

24 Notes to the statement of cash flows (continued)**Reconciliation of net cash flow to movement in net debt**

	2004 £	2003 £
Increase/(decrease) in cash in the period	632,269	(38,213)
Net cash (inflow) from bank loans	(459,869)	(591,592)
Cash outflow in respect of finance leases and hire purchase	210,253	283,485
Change in net debt resulting from cash flows	382,653	(346,320)
New finance leases	(391,515)	—
Movement in net debt in the period	(8,862)	(346,320)
Net debt at 1 February 2003	(1,663,292)	(1,316,972)
Net debt at 31 January 2004	(1,672,154)	(1,663,292)

Analysis of changes in net debt

	At 1 Feb 2003 £	Cash flows £	Other changes £	At 31 Jan 2004 £
Net cash:				
Cash in hand and at bank	21	379	—	400
Overdrafts	(802,163)	631,890	—	(170,273)
	(802,142)	632,269	—	(169,873)
Debt:				
Debt due within 1 year	(489,327)	431,462	—	(57,865)
Debt due after 1 year	(185,773)	(891,331)	—	(1,077,104)
Finance leases and hire purchase agreements	(186,050)	210,253	(391,515)	(367,312)
	(861,150)	(249,616)	(391,515)	(1,502,281)
Net debt	(1,663,292)	382,653	(391,515)	(1,672,154)

25 Capital commitments

Amounts contracted for but not provided in the Consolidated financial statements amounted to £82,277 (2003 - £Nil).