

Company Registration No 1287461

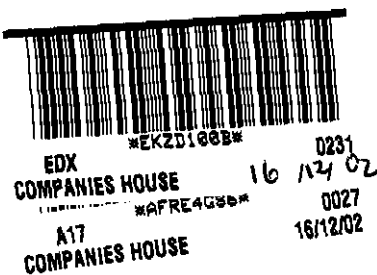
England and Wales

DYFED STEELS LIMITED

FINANCIAL ACCOUNTS FOR THE YEAR ENDED

31 JANUARY 2002

Rimmer & May
Chartered Accountants
Llanelli



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DYFED STEELS LIMITED
YEAR ENDED 31 JANUARY 2002
OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

Mr D W Thomas

Mr D R Evans

SECRETARY

Mr D R Evans

REGISTERED OFFICE

Tube Works
Maescanner Road
Dafen
Llanelli

REGISTERED NUMBER

1287461

BANKERS

HSBC
1 Station Road
Llanelli
Carmarthenshire

AUDITORS

Rimmer & May
Chartered Accountants
19 Murray Street
Llanelli
SA15 1AQ

DYFED STEELS LIMITED

FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2002

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The following page does not form part of the Statutory Accounts

Appendix

1	Trading and Profit and Loss Account
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DYFED STEELS LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2002

The directors present their annual report with the accounts of the company for the year ended 31 January 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of metal stockholders and there were no changes in this activity during the year.

REVIEW OF BUSINESS

A summary of the results for the year is given on page 4 of the accounts. The company experienced difficult trading conditions which led to a loss for the year of some £165,899 after taxation. Trading conditions have proved difficult subsequently but the directors have taken action to reduce overheads and improve margins with a view to returning the company to profitability.

DIVIDENDS

The directors do not recommend the payment of a dividend.

FIXED ASSETS

In the opinion of the directors, the open market value of the company's freehold land and buildings is not materially different from that shown in the accounts in relation to its use in the company's trade.

DIRECTORS

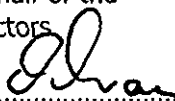
The directors in office in the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	Ordinary Shares of £1 each	
	<u>2002</u>	<u>2001</u>
	£	£
Mr D W Thomas	44,999	44,999
Mr D R Evans	1	1

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year.

Signed on behalf of the
board of directors



Mr D R Evans
Secretary

Approved by the Board 17th July 2002

Tube Works
Maescanner Road
Dafen
Llanelli

DYFED STEELS LIMITED

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

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
4. 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.

DYFED STEELS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DYFED STEELS LIMITED

We have audited the financial statements of Dyfed Steels Limited for the year ended 31 January 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective Responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the 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 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.

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

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

Rimmer and May

Rimmer and May
Registered Auditor
Chartered Accountants

22nd July

.....2002

19 Murray Street
Llanelli

DYFED STEELS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
Turnover continuing operations	2	21,297,475	22,238,260
Cost of sales		(14,904,956)	(16,087,510)
Gross Profit		6,392,519	6,150,750
Other Operating expenses:			
Administrative expenses		6,209,452	5,956,257
Operating Income - Rents & Other Income		(27,780)	(16,279)
		(6,181,672)	(5,939,978)
Operating Profit - continuing operations	3	210,847	210,772
Income from Investments		7,691	207
Profit on Ordinary Activities before Interest		218,538	210,979
Interest payable	5	(384,559)	(401,539)
(Loss) on Ordinary Activities before Taxation		(166,021)	(190,560)
Taxation - UK Corporation Tax	6	122	5,695
Retained loss for the financial year		(165,899)	(184,865)

All of the company's activities in the above two financial years derived from continuing operations.

The notes on pages 8 to 16 form part of these accounts

DYFED STEELS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 JANUARY 2002**

	<u>2002</u>	<u>2001</u>
	£	£
Loss for the financial year	(165,899)	(184,865)
Prior year adjustment	—	(344,310)
Total gains & Losses recognised since last annual report	<u>(165,899)</u>	<u>(529,175)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis is not material.

DYFED STEELS LIMITED
BALANCE SHEET AS AT 31 JANUARY 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		£	£
FIXED ASSETS			
Tangible Assets	7	3,258,387	3,331,807
Investments	8	<u>244,257</u>	<u>264,342</u>
		3,502,644	3,596,149
CURRENT ASSETS			
Stock and Work in Progress	9	4,290,213	4,971,342
Debtors	10	5,595,328	6,341,600
Cash at Bank & In Hand		<u>21</u>	<u>599</u>
		9,885,562	11,313,541
Creditors: Amounts falling due within one year	11	(<u>11,386,252</u>)	(<u>12,637,699</u>)
Net Current Liabilities		(1,500,690)	(1,324,158)
Total Assets less Current Liabilities		2,001,954	2,271,991
Creditors: Amounts falling due after more than one year	12	(<u>235,279</u>)	(<u>339,417</u>)
		<u>1,766,675</u>	<u>1,932,574</u>
CAPITAL AND RESERVES			
Called Up Share Capital	14	45,000	45,000
Revaluation Reserve	15	287,159	293,019
Profit and Loss Account	15	<u>1434,516</u>	<u>1,594,555</u>
TOTAL SHAREHOLDERS' FUNDS (All Equity)	16	<u>1,766,675</u>	<u>1,932,574</u>

Signed on behalf of the board
of directors:

.....
D W Thomas
Director

Approved by the Board: *17 July* 2002

The notes on pages 8 to 16 form part of these accounts.

DYFED STEELS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2002

	Note	2002	2001
		£	£
Net Cash Inflow from Operating Activities	19	829,313	609,930
Returns on Investments and Servicing of Finance			
Interest Paid	(322,942)	(343,676)	
Received from Investments	7,691	207	
Interest Element of Finance Lease Rental Payments	(61,617)	(57,863)	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(376,868)	(401,332)
Taxation		122	(2,436)
Capital Expenditure and Financial Investment			
Receipts from sale of Tangible Fixed Assets	29,300	-	
Payments to acquire Fixed Assets	(317,175)	(731,281)	
Payments to acquire Listed Investments	-	(30,000)	
Net Cash Outflow for Capital Expenditure and Financial Investment		(287,875)	(761,281)
Financing			
Repayment of amounts borrowed	(133,520)	60,294	
Capital element of Finance Lease Rental Payments	(75,852)	126,737	
Net Cash Inflow/(Outflow) from Financing		(209,372)	187,031
(Decrease) in Cash		(44,680)	(368,088)

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Companies Act 1985 as amended, and with applicable Accounting Standards.

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

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention except for certain fixed assets which have been included at their valuation in January 1989 plus costs of additions since that date. The transitional provisions of Financial Reporting Standard 15 are being followed and the valuation in January 1989 has not been updated.

(b) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets at the following rates:-

Freehold Property (other than land)	2%	Reducing Balance
Motor Vehicles	25%	Reducing Balance
Plant & Equipment	20%	Reducing Balance
Fixtures & Fittings	15%	Reducing Balance

(c) Stocks and Work in Progress

Stocks and Work in Progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion.

(d) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

(e) Defined Contribution Pension Scheme

The company operated a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

(f) Leases and Hire Purchase

Assets held under finance leases and hire purchase contracts are included under fixed assets at the capitalised value of future minimum lease payments. The assets are depreciated over their useful lives. The capital element of the future payments is treated as a liability and the interest element is charged to the profit and loss account over the period of the agreement.

Rentals payable under operating leases are charged to profit and loss account on the straight line basis over the lease term.

(g) Investments in Subsidiaries

Investments in the subsidiary companies are shown in the non-consolidated accounts at cost less any amounts written off for permanent diminution in value

(h) Investments (Other)

Other fixed asset investments are stated at cost less any provision for impairment. For listed investments market value is based on the closing middle market price.

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of goods sold during the year, excluding Value Added Tax. The company's turnover is attributable to the company's principal activity which is metals stockholding. Turnover relates entirely to sales within the United Kingdom.

3. OPERATING PROFIT

	<u>2002</u>	<u>2001</u>
	£	£
The operating profit is stated after charging:		
Depreciation of Tangible Fixed Assets	344,584	301,072
Loss on sale of Fixed Assets	16,712	-
Loss on revaluation of Investments	20,087	-
Staff costs - Note 4	3,465,277	3,237,415
Auditors Remuneration:-		
Audit work	9,000	8,000
Non-Audit work	12,000	9,000
Pension costs	35,914	45,646
Operating Lease charges	<u>2,037</u>	<u>1,029</u>
Directors Emoluments:		
Salary & Benefits in Kind	95,146	92,842
Pension Contributions	<u>15,000</u>	<u>15,000</u>

One director is a member of a money purchase pension scheme.

4. EMPLOYEES

The costs incurred, including directors remuneration (note 3) were as follows:-

	<u>2002</u>	<u>2001</u>
	£	£
Wages & Salaries	3,164,846	2,940,586
Social Security costs	264,517	251,183
Pension costs	<u>35,914</u>	<u>45,646</u>
	<u>3,465,277</u>	<u>3,237,415</u>

There were no outstanding or prepaid pension contributions at 31 January 2002 (2001: £NIL).

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

	<u>2002</u>	<u>2001</u>
Office & Management	46	41
Production & Sales	<u>155</u>	<u>153</u>
	<u>201</u>	<u>194</u>

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

5. INTEREST PAYABLE	<u>2002</u>	<u>2001</u>
	£	£
On Bank loans & Overdrafts	32,090	10,537
On loan from company pension scheme	-	(4,481)
Discounting charges on factored debts	290,852	337,620
Finance charge on hire purchase and finance leases	<u>61,617</u>	<u>57,863</u>
	<u>384,559</u>	<u>401,539</u>

6. TAXATION

The tax charges on the loss on ordinary activities were as follows:-

	<u>2002</u>	<u>2001</u>
	£	£
UK Corporation Tax at 20%:		
Interest on repayment	(122)	-
Adjustment in respect of prior years charge	<u>-</u>	<u>(5,695)</u>

The company incurred a substantial loss in the year, hence no taxable profits have arisen.

7. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Plant & Equipment £	Fixtures & Fittings £	Freehold Property £	Total £
Cost or Valuation:					
At 1 February 2001	1,847,652	1,660,019	194,117	2,454,394	6,156,182
Additions in the year	60,830	234,342	1,955	20,048	317,175
Disposals in the year	(201,888)	(9,212)	(49,675)	-	(260,775)
At 31 January 2002	<u>1,706,594</u>	<u>1,885,149</u>	<u>146,397</u>	<u>2,474,442</u>	<u>6,212,582</u>
Depreciation:					
At 1 February 2001	1,325,862	1,068,996	103,201	326,316	2,824,375
On disposals	(165,978)	(8,578)	(40,207)	-	(214,763)
Charge for the year	135,990	153,036	12,595	42,963	344,584
At 31 January 2002	<u>1,295,874</u>	<u>1,213,454</u>	<u>75,589</u>	<u>369,279</u>	<u>2,954,196</u>
Net Book Value:					
At 31 January 2002	<u>410,720</u>	<u>671,695</u>	<u>70,808</u>	<u>2,105,163</u>	<u>3,258,386</u>
At 31 January 2001	<u>521,790</u>	<u>591,023</u>	<u>90,916</u>	<u>2,128,078</u>	<u>3,331,807</u>

Other than for freehold property, the original purchase price of fixed assets prior to 31 January 1989 is not available and any assets purchased prior to this date are stated at net book value at 31 January 1989. The company's portfolio of property in Dafen was revalued at £925,000 when its cost at that time amounted to £551,594. The aggregate accumulated depreciation would be £127,398. All other property and improvements are stated at cost.

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

7. TANGIBLE FIXED ASSETS -continued

The net book value of assets held under finance lease or hire purchase and the depreciation charged for the year in respect of such assets was as follows:

	Motor Vehicles	Plant & Machinery	Fixtures & Fittings	Total
	£	£	£	£
Net Book Value	226,612	399,797	20,260	646,669
Depreciation charge for 2002	74,913	86,647	3,575	165,135

Capital Commitments contracted but not provided for in the accounts total £NIL (2001: £56,915).

8. INVESTMENTS

	Listed on a Recognised Stock Exchange	Unlisted	Total
	£	£	£
At 31 January 2001	30,000	234,342	264,342
Loss on revaluation	(20,087)	-	(20,087)
Addition - Ex Stock Steels Ltd	-	2	2
At 31 January 2002	<u>9,913</u>	<u>234,344</u>	<u>244,257</u>

Unlisted investments comprise the cost of the company's 100% holdings in its three subsidiary companies - Excel (Steel Stock) Limited (cost £234,341), Dyfed Steels (Southern) Limited (Cost £1) and Ex Stock Steels Ltd (Cost £2).

Market value of listed investments at 31 January 2002 is £9,913.

9. STOCK

	2002	2001
	£	£
Stock	4,269,572	4,955,403
Stock of Diesel	4,830	10,117
Stock of Parts	9,989	-
Stock of Stationery	<u>5,822</u>	<u>5,822</u>
	<u>4,290,213</u>	<u>4,971,342</u>

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

10. DEBTORS	<u>2002</u>	<u>2001</u>
	£	£
Amounts due within one year:		
Trade Debtors (see note 13)	5,303,631	6,175,690
Other Debtors	12,794	22,270
Prepayments & Accrued Income	<u>80,799</u>	<u>54,193</u>
	5,397,224	6,252,153
Amounts due in more than one year:		
Amounts owed by group undertakings:-		
Dyfed Steels (Southern) Ltd.	84,593	89,447
Ex Stock Steels Ltd	<u>113,511</u>	-
	<u>5,595,328</u>	<u>6,341,600</u>

Other debtors balance includes interest free directors current accounts.

The balance on these accounts (which are repayable on demand) comprise the following:

Mr D W Thomas	<u>1,836</u>	<u>1,836</u>
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The maximum amount due from the directors on the above accounts during the year was as follows:-

Mr D W Thomas	<u>1,836</u>	<u>1,836</u>
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11. CREDITORS (Amounts falling due within one year)	<u>2002</u>	<u>2001</u>
Bank Loans & Overdrafts (see (a) below)	965,831	1,041,729
Trade Creditors	5,822,835	6,888,664
Amounts owed to group undertakings (see (b) below)	249,863	247,974
Social Security & Other Taxes	350,342	236,044
Hire Purchase creditor (see (c) below)	289,010	276,134
Other Creditors (see (d) below)	3,616,822	3,869,572
Accruals	<u>91,549</u>	<u>77,582</u>
	<u>11,386,252</u>	<u>12,637,699</u>
(a) Bank Loans & Overdrafts:		
Bank Overdraft	950,831	906,729
Bank Loan	15,000	15,000
Pension Loan	-	120,000
	<u>965,831</u>	<u>1,041,729</u>

The bank overdraft and bank loan are secured by:

- (i) a legal charge and first mortgages over the company's land and buildings.
- (ii) a fixed charge over book debts and a floating charge over all other assets.
- (iii) unlimited guarantees and cross guarantees between group companies.
- (iv) first mortgages over term life insurance policies taken out by the company.
- (v) a debenture dated 9 February 2000.

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

11. CREDITORS (Amounts falling due within one year) - continued

(b) Amounts owed to group undertaking:

This consists of the amount owing to Excel (Steel Stock) Limited, a wholly owned subsidiary of Dyfed Steels Limited.

(c) Hire Purchase Creditor

Hire Purchase creditors are secured by a charge over the corresponding fixed assets. Of the hire purchase creditors due, £21,851 is secured over fixed assets of Dyfed Steels (Southern) Limited and £7,949 is secured over fixed assets of Excel (Steel Stock) Limited both wholly owned subsidiaries of the company.

(d) Other Creditors

This consists of factored debts secured by debts purchased from the company (see note 13).

12. CREDITORS (Amounts falling due after one year)

	<u>2002</u>	<u>2001</u>
	£	£
Bank Loan (see 11(a) above)	68,510	83,919
Hire Purchase Creditor (see 11(c) above)	<u>166,769</u>	<u>255,498</u>
	<u>235,279</u>	<u>339,417</u>

The bank loan, the aggregate total of which is £83,510, is repayable in monthly instalments of £2,024

<u>Analysis of borrowings by maturity of debt</u>	<u>2002</u>	<u>2001</u>
	£	£
Within one year:		
Bank & Other borrowings	950,831	1,026,729
Finance Leases & Hire Purchase	48,858	42,778
After one and within two years:		
Bank & Other borrowings	-	-
Finance Leases & Hire Purchase	266,142	155,456
After two and within five years:		
Bank & Other borrowings	83,510	98,919
Finance Leases & Hire Purchase	<u>140,779</u>	<u>333,398</u>
Total borrowings excluding factored debt (Note 13)	<u>1,490,120</u>	<u>1,657,280</u>

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

13. FACTORED DEBTS

The company has an invoice discounting arrangement with HSBC Invoice Finance (UK) Ltd where it agrees to transfer to that company specified trade debts. The company continues to bear all the benefits and risks relating to those debts until they are collected. HSBC Invoice Finance (UK) Ltd seeks repayment of the finance as to both principal and interest to the extent that sufficient funds were not generated by the specified trade debtors. The gross amount of debt due to the factoring company under this agreement outstanding at 31 January 2002 was £3,616,822 (2001: £3,869,572).

14. SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
	£	£
Authorised		
45,000 Ordinary Shares of £1 each	<u>45,000</u>	<u>45,000</u>
Allotted, Issued & Fully Paid		
45,000 Ordinary Shares of £1 each	<u>45,000</u>	<u>45,000</u>

15. STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation Reserve	Profit & Loss Account	Total
	£	£	£
At 1 February 2001 as previously stated	293,019	1,594,555	1,887,574
Depreciation released	(5,860)	5,860	-
Loss for the year	-	(165,899)	(165,899)
	<u>287,159</u>	<u>1,434,516</u>	<u>1,721,675</u>

16. STATEMENT OF MOVEMENT IN SHAREHOLDERS FUNDS

	<u>2002</u>	<u>2001</u>
	£	£
Loss for the year	(165,899)	(184,865)
Opening Shareholders Funds	<u>1,932,574</u>	<u>2,117,439</u>
Closing Shareholders Funds	<u>1,766,675</u>	<u>1,932,574</u>

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

17. RELATED PARTY TRANSACTIONS

- (a) Dyfed Steels (Southern) Limited is a wholly owned subsidiary of Dyfed Steels Limited. During the year the company sold goods to Dyfed Steels (Southern) Limited to the value of £824,487 (2001: £387,248). The company purchased goods from Dyfed Steels (Southern) Limited to the value of £13,420 (2001: £20,986) and it recharged Hire Purchase payments and Insurance of £29,225 to Dyfed Steels (Southern) Limited.
- (b) Excel (Steel Stock) Limited is a wholly owned subsidiary of Dyfed Steels Limited. During the year the company sold goods to this subsidiary to the value of £407,599 (2001: £424,993) and it purchased goods to the value of £42,729 (2001: £11,134) and it recharged Hire Purchase payments and Insurance of £18,094.
- (c) Ex Stock Steels Limited, a wholly owned subsidiary of Dyfed Steels Ltd was purchased during the year. During the year the company sold goods to Ex Stock Steels Ltd to the value of £191,423 and it purchased goods to the value of £5,956.
- (d) Ultimate Controlling Party
The directors consider that the ultimate controlling party is Mr D W Thomas by virtue of ownership of 99.99% of the Issued Share Capital. Mr D W Thomas is also a director of Dyfed Steels (Southern) Limited, Excel (Steel Stock) Limited and Ex Stock Steels Limited which are wholly owned subsidiaries of Dyfed Steels Limited.
- (e) The company owed monies to and were owed monies by the three subsidiaries as follows:

	Dyfed Steel (Southern) Ltd	Excel (Steel Stock) Ltd	Ex Stock Steels Ltd
Included in Trade Debtors	308,771	40,022	118,039
Included in Other Debtors	84,593		113,511
Included in Trade Creditors	9,251	17,799	2,224
Included in Other Creditors		249,863	

18. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	<u>2002</u> £	<u>2001</u> £
Operating Profit	210,847	210,772
Depreciation	344,584	301,072
Increase in Investments	2	-
Loss on sale of fixed assets	16,712	-
Loss on revaluation of Investments	20,087	-
Decrease/(Increase) in stocks	681,129	(486,985)
Decrease/(Increase) in debtors	746,272	(1,217,270)
(Decrease)/Increase in creditors	<u>(1,190,320)</u>	<u>1,802,341</u>
Net cash inflow from operating activities	<u>829,313</u>	<u>609,930</u>

DYFED STEELS LIMITED
NOTES TO THE 2002 ACCOUNTS (continued)

19. RECONCILIATION OF MOVEMENTS IN NET DEBT AND CASH FLOW

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
(Decrease) in Cash in the year	(44,680)	(368,088)
Cash inflow/(outflow) from financing in the year	133,520	(60,294)
Cash inflow from finance leases in the year	<u>364,595</u>	<u>346,463</u>
Changes in net debt resulting from cash flows	453,435	(81,919)
Inception of finance leases	<u>(288,743)</u>	<u>(473,200)</u>
Movement in net debt in the year	164,692	(555,119)
Net debt at 1 February 2001	<u>(1,904,654)</u>	<u>(1,349,535)</u>
Net debt at 31 January 2002	<u>(1,739,962)</u>	<u>(1,904,654)</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 February 2001	Cash	Non Cash	At 31 January 2002
	£	£	£	£
Cash in Hand & at Bank	599	(578)		21
Overdraft	(906,729)	(44,102)		(950,831)
Debt	(466,893)	133,520		(333,373)
Finance Leases	(531,631)	364,595	(288,743)	(455,779)
	<u>(1,904,654)</u>	<u>453,435</u>	<u>(288,743)</u>	<u>(1,739,962)</u>

21. POST BALANCE SHEET EVENT

On 1 February 2002 David Thomas Limited, Newtown, Powys a wholly owned subsidiary of Dyfed Steels Ltd., acquired part of the business of David W Thomas Ltd - an unconnected steel stockholder in Newtown. The consideration was £270,000 which was initially advanced by Dyfed Steels Ltd. Included in prepayments is the deposit for £30,000 for this transaction which will not be completed until 1 February 2002.

Company Registration No 1287461

England and Wales

DYFED STEELS LIMITED & SUBSIDIARIES

CONSOLIDATED FINANCIAL ACCOUNTS FOR THE YEAR ENDED

31 JANUARY 2002

Rimmer & May
Chartered Accountants
Llanelli

DYFED STEELS LIMITED & SUBSIDIARIES

YEAR ENDED 31 JANUARY 2002

OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

Mr D W Thomas

Mr D R Evans

SECRETARY

Mr D R Evans

REGISTERED OFFICE

Tube Works
Maescanner Road
Dafen
Llanelli

REGISTERED NUMBER

1287461

BANKERS

HSBC
1 Station Road
Llanelli
Carmarthenshire

AUDITORS

Rimmer & May
Chartered Accountants
19 Murray Street
Llanelli
SA15 1AQ

DYFED STEELS LIMITED & SUBSIDIARIES
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2002

Contents

1	Report of the Directors
2	Statement of Directors' Responsibilities
3	Auditors Report
4	Profit and Loss Account
5	Statement of Total Recognised Gains and Losses
6	Balance Sheet
7	Cash Flow Statement
8 - 15	Notes to the Accounts

The following page does not form part of the Statutory Accounts

Appendix

1	Trading and Profit and Loss Account
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DYFED STEELS LIMITED & SUBSIDIARIES
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2002

The directors present their annual report with the accounts of the group for the year ended 31 January 2002.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of metal stockholders and there were no changes in this activity during the year.

REVIEW OF BUSINESS

These consolidated accounts incorporate the results for Ex Stock Steels Limited, a wholly owned subsidiary of Dyfed Steels Limited. The company was incorporated on 15 October 2001 and acquired the trade and assets of an existing business, Ex Stock Steel Services Limited, on 1 December 2001.

A summary of the results for the year is given on page 4 of the accounts. The group experienced difficult trading conditions which led to a loss for the year of some £157,187 before taxation. Trading conditions have proved difficult subsequently but the directors are taking action to reduce overheads with a view to returning the group to profitability.

DIVIDENDS

The directors do not recommend the payment of a dividend.

FIXED ASSETS

In the opinion of the directors, the open market value of the company's freehold land and buildings is not materially different from that shown in the accounts in relation to its use in the company's trade.

DIRECTORS

The directors in office in the year and their beneficial interests in the company's issued ordinary share capital were as follows:

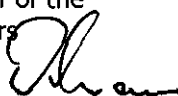
Ordinary Shares of £1 each

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
Mr D W Thomas	44,999	44,999
Mr D R Evans	1	1

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year.

Signed on behalf of the
board of directors



.....
Mr D R Evans
Secretary

Approved by the Board 25/11/2002.....2002

Tube Works
Maescanner Road
Dafen
Llanelli

DYFED STEELS LIMITED & SUBSIDIARIES

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 group for that period. In preparing those financial statements, the directors are required to

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
4. prepare the 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 which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DYFED STEELS LIMITED AND SUBSIDIARIES
AUDITORS REPORT TO THE SHAREHOLDERS OF DYFED STEELS LIMITED & SUBSIDIARIES

We have audited the financial statements of Dyfed Steels Limited and Subsidiaries for the year ended 31 January 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective Responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the 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 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.

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

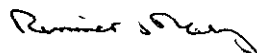
Basis of Audit Opinion

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 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 and of the group's affairs as at 31 January 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Rimmer and May
Registered Auditor
Chartered Accountants

.....26 November 2002

19 Murray Street
Llanelli

DYFED STEELS LIMITED & SUBSIDIARIES

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
Turnover continuing operations	2	23,311,225	24,020,809
Cost of sales		(16,031,728)	(17,108,756)
Gross Profit		7,279,497	6,912,053
Other Operating expenses:			
Administrative expenses		7,032,704	6,616,172
Operating Income - Rents		(12,733)	(13,204)
		(7,019,971)	(6,602,968)
Operating Profit - continuing operations	3	259,526	309,085
Income from Investments		7,738	207
Profit on Ordinary Activities before Interest		267,264	309,292
Interest payable	5	(424,451)	(442,560)
(Loss) on Ordinary Activities before Taxation		(157,187)	(133,268)
Taxation - UK Corporation Tax	6	6,989	3,448
Retained loss for the financial year		(150,198)	(129,820)

All of the group's activities in the above two financial years derived from continuing operations.

The notes on pages 8 to 16 form part of these accounts

DYFED STEELS LIMITED & SUBSIDIARIES**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 JANUARY 2002**

	<u>2002</u>	<u>2001</u>
	£	£
Loss for the financial year	(157,187)	(129,820)
Prior year adjustment (as explained in note 18)	—	(344,310)
Total gains & Losses recognised since last annual report	<u>(157,187)</u>	<u>(474,130)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis is not material.

DYFED STEELS LIMITED & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
FIXED ASSETS			
Intangible Assets	7	84,871	-
Tangible Assets	8	3,516,428	3,493,604
Investments	9	<u>9,913</u>	<u>30,000</u>
		3,611,212	3,523,604
CURRENT ASSETS			
Stock and Work in Progress	10	4,624,560	5,210,404
Debtors	11	6,042,729	6,609,376
Cash at Bank & In Hand		<u>232,610</u>	<u>118,020</u>
		10,899,899	11,937,800
Creditors: Amounts falling due within one year	12	<u>(12,428,624)</u>	<u>(13,115,045)</u>
Net Current Liabilities		<u>(1,528,725)</u>	<u>(1,177,245)</u>
Total Assets less Current Liabilities		2,082,487	2,346,359
Creditors: Amounts falling due after more than one year	13	240,018	353,692
Provision for Liabilities & Charges		<u>7,775</u>	<u>7,775</u>
		<u>1,834,694</u>	<u>1,984,892</u>
CAPITAL AND RESERVES			
Called Up Share Capital	15	45,000	45,000
Revaluation Reserve	16	287,159	293,019
Profit and Loss Account	16	<u>1,502,535</u>	<u>1,646,873</u>
TOTAL SHAREHOLDERS' FUNDS (All Equity)	17	<u>1,834,694</u>	<u>1,984,892</u>

Signed on behalf of the board
of directors:

.....
D W Thomas
Director

Approved by the Board: ~~25 November 2002~~ November 2002

The notes on pages 8 to 16 form part of these accounts.

DYFED STEELS LIMITED & SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£	£
Net Cash Inflow from Operating Activities	20	1,168,267	856,374
Returns on Investments and Servicing of Finance			
Interest Paid	(356,386)		(378,845)
Dividend Received	7,738		207
Interest Element of Finance Lease Rental Payments	(68,065)		(63,715)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(416,713)	(442,353)
Taxation		6,989	(8,991)
Capital Expenditure and Financial Investment			
Receipts from sale of Tangible Fixed Assets	45,000		1,102
Payments to acquire Fixed Assets	(556,971)		(778,561)
Payments to acquire Listed Investments	-		(30,000)
Net Cash Outflow for Capital Expenditure and Financial Investment		(511,971)	(807,459)
Financing			
Repayment of amounts borrowed	(135,409)		38,919
Capital element of Finance Lease Rental Payments	(86,381)		140,222
Net Cash (Outflow)/Inflow from Financing		(221,790)	179,141
Increase/(Decrease) in Cash		<u>24,782</u>	<u>(223,288)</u>

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Companies Act 1985 as amended, and with applicable Accounting Standards.

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

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention except for certain fixed assets which have been included at their valuation in January 1989 plus costs of additions since that date. The transitional provisions of Financial Reporting Standard 15 are being followed and the valuation in January 1989 has not been updated.

(b) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets at the following rates:-

Freehold Property (other than land)	2%	Reducing Balance
Leasehold Property	4%	Straight Line
Motor Vehicles	25%	Reducing Balance (20%)
Plant & Equipment	20%	Reducing Balance (10%)
Fixtures & Fittings	15%	Reducing Balance (10%)

The depreciation rates used in Excel (Steel Stock) Limited accounts are shown in brackets and are different to the main rates used by the holding company and other subsidiary because Excel (Steel Stock) had already set its own depreciation rates before acquisition by Dyfed Steels Limited in March 1997. The effect on the charge for the year would not be material (£5,589) and has not been amended on consolidation.

(c) Stocks and Work in Progress

Stocks and Work in Progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion.

(d) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

(e) Defined Contribution Pension Scheme

The group operated a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

(f) Leases and Hire Purchase

Assets held under finance leases and hire purchase contracts are included under fixed assets at the capitalised value of future minimum lease payments. The assets are depreciated over their useful lives. The capital element of the future payments is treated as a liability and the interest element is charged to the profit and loss account over the period of the agreement.

Rentals payable under operating leases are charged to profit and loss account on the straight line basis over the lease term.

(g) Investments (Other)

Other fixed asset investments are stated at cost less any provision for impairment. For listed investments market value is based on the closing middle market price.

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

1. ACCOUNTING POLICIES (CONTINUED)

(h) Goodwill

Purchased goodwill has been capitalised and is amortised on the straight line basis over the estimated useful economic life of 10 years as this period is considered to be a true reflection of the goodwill's useful economic life.

2. TURNOVER

Turnover represents amounts invoiced by the group in respect of goods sold during the year, excluding Value Added Tax. The group's turnover is attributable to the group's principal activity which is metals stockholding. Turnover relates entirely to sales within the United Kingdom.

3. OPERATING PROFIT

	<u>2002</u>	<u>2001</u>
	£	£
The operating profit is stated after charging:		
Amortisation of Goodwill	1,438	-
Depreciation of Tangible Fixed Assets	382,973	332,859
Loss on revaluation of Investments	20,087	-
Loss on sale of Fixed Assets	19,865	156
Staff costs - Note 4	3,962,023	3,619,409
Auditors Remuneration:-		
Audit work	15,500	11,600
Non-Audit work	22,381	21,920
Pension costs (included in staff costs above)	42,996	50,934
Operating Lease charges	<u>4,727</u>	<u>2,914</u>
Directors Emoluments:		
Salary & Benefits in Kind	95,146	92,842
Pension Contributions	<u>15,000</u>	<u>15,000</u>

One director is a member of a money purchase pension scheme.

4. EMPLOYEES

The costs incurred, including directors remuneration (note 3) were as follows:-

	<u>2002</u>	<u>2001</u>
	£	£
Wages & Salaries	3,615,221	3,284,916
Social Security costs	303,806	283,559
Pension costs	<u>42,996</u>	<u>50,934</u>
	<u>3,962,023</u>	<u>3,619,409</u>

There were no outstanding or prepaid pension contributions at 31 January 2001 (2000: £NIL).

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

	<u>2002</u>	<u>2001</u>
Office & Management	51	48
Production & Sales	<u>180</u>	<u>167</u>
	<u>231</u>	<u>215</u>

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

5. INTEREST PAYABLE	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
On Bank loans & Overdrafts	32,090	10,537
On loan from company pension scheme	-	(4,481)
Discounting charges on factored debts	324,296	372,789
Finance charge on hire purchase and finance leases	<u>68,065</u>	<u>63,715</u>
	<u>424,451</u>	<u>442,560</u>

6. TAXATION

The tax charges on the loss on ordinary activities were as follows:-

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
UK Corporation Tax at 20%:		
Current tax on income for the period	-	-
Adjustment in respect of prior years charge	(6,867)	(5,695)
Interest on repayment	(122)	-
Deferred Tax charge	<u>-</u>	<u>2,247</u>
	<u>(6,989)</u>	<u>(3,448)</u>

The group incurred a substantial loss in the year, hence no taxable profits have arisen for the year after appropriate group relief claims have been made.

7. INTANGIBLE FIXED ASSETS	<u>Goodwill</u>	<u>Total</u>
	<u>£</u>	<u>£</u>
Cost:		
Additions in year	86,309	86,309
	<u>86,309</u>	<u>86,309</u>
Amortisation:		
Charge for the year	1,438	1,438
	<u>1,438</u>	<u>1,438</u>
Net Book Value:		
At 31 January 2002	<u>84,871</u>	<u>84,871</u>

8. TANGIBLE FIXED ASSETS

	Motor Vehicles	Plant & Equipment	Fixtures & Fittings	Freehold Property	Short Leasehold Property	Total
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost or Valuation:						
At 1 February 2001	2,030,816	1,725,108	244,251	2,454,394	4,355	6,458,924
Additions in the year	143,545	272,621	34,448	20,048	-	470,662
Disposals	(235,004)	(9,212)	(49,675)	-	-	(293,891)
At 31 January 2002	<u>1,939,357</u>	<u>1,988,517</u>	<u>229,024</u>	<u>2,474,442</u>	<u>4,355</u>	<u>6,635,695</u>
Depreciation:						
At 1 February 2001	1,410,104	1,094,867	130,541	326,316	3,492	2,965,320
Charge for the year	162,975	160,549	16,306	42,963	180	382,973
Disposals	(180,241)	(8,578)	(40,207)	-	-	(229,026)
At 31 January 2002	<u>1,392,838</u>	<u>1,246,838</u>	<u>106,640</u>	<u>369,279</u>	<u>3,672</u>	<u>3,119,267</u>

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS (Continued)

	Motor Vehicles	Plant & Equipment	Fixtures & Fittings	Freehold Property	Short Leasehold Property	Total
	£	£	£	£	£	£
Net Book Value:						
At 31 January 2002	<u>546,519</u>	<u>741,679</u>	<u>122,384</u>	<u>2,105,163</u>	<u>683</u>	<u>3,516,428</u>
At 31 January 2001	<u>620,712</u>	<u>630,241</u>	<u>113,710</u>	<u>2,128,078</u>	<u>863</u>	<u>3,493,604</u>

Other than for freehold property, the original purchase price of fixed assets prior to 31 January 1989 is not available and any assets purchased prior to this date are stated at net book value at 31 January 1989. The group's portfolio of property in Dafen was revalued at £925,000 when its cost at that time amounted to £551,594. The aggregate accumulated depreciation would be £127,398. All other property and improvements are stated at cost.

The net book value of assets held under finance lease or hire purchase and the depreciation charged for the year in respect of such assets was as follows:

	Motor Vehicles	Plant & Machinery	Fixtures & Fittings	Total
	£	£	£	£
Net Book Value	<u>264,422</u>	<u>428,360</u>	<u>27,770</u>	<u>720,552</u>
Depreciation charge for year	<u>85,662</u>	<u>92,392</u>	<u>4,900</u>	<u>182,954</u>

Capital Commitments contracted but not provided for in the accounts total £NIL (2001: £56,915).

9. INVESTMENTS

	Listed on a Recognised Stock Exchange	Total
	£	£
At 31 January 2001	30,000	30,000
Loss on Revaluation	(20,087)	(20,087)
At 31 January 2002	<u>9,913</u>	<u>9,913</u>

10. STOCK

	2002	2001
	£	£
Stock	4,602,539	5,189,370
Stock of Diesel	5,637	14,277
Stock of Parts	9,989	-
Stock of Stationery	<u>6,395</u>	<u>6,757</u>
	<u>4,624,560</u>	<u>5,210,404</u>

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

11. DEBTORS	<u>2002</u> £	<u>2001</u> £
Amounts due within one year:		
Trade Debtors (see note 14)	5,898,683	6,501,928
Other Debtors	25,636	41,649
Prepayments & Accrued Income	<u>118,410</u>	<u>65,799</u>
	<u>6,042,729</u>	<u>6,609,376</u>

Other debtors balance includes interest free directors current accounts.

The balance on these accounts (which are repayable on demand) comprise the following:

Mr D W Thomas	<u>1,836</u>	<u>1,836</u>
---------------	--------------	--------------

The maximum amount due from the directors on the above accounts during the year was as follows:-

Mr D W Thomas	<u>1,836</u>	<u>1,836</u>
---------------	--------------	--------------

12. CREDITORS (Amounts falling due within one year)	<u>2002</u> £	<u>2001</u> £
Bank Loans & Overdrafts (see (a) below)	1,011,537	1,041,729
Trade Creditors	6,251,475	7,186,515
Provision for Corporation Tax	-	-
Social Security & Other Taxes	401,238	250,407
Hire Purchase creditor (see (b) below)	298,027	286,144
Other Creditors (see (c) below)	4,322,344	4,255,235
Accruals	<u>144,003</u>	<u>95,015</u>
	<u>12,428,624</u>	<u>13,115,045</u>
(a) Bank Loans & Overdrafts:		
Bank Overdraft	996,537	906,729
Bank Loan	15,000	15,000
Pension Loan		120,000
	<u>1,011,537</u>	<u>1,041,729</u>

The bank overdraft and bank loan are secured by:

- (i) a legal charge and first mortgages over the group's land and buildings.
- (ii) a fixed charge over book debts and a floating charge over all other assets.
- (iii) unlimited guarantees and cross guarantees between group companies.
- (iv) first mortgages over term life insurance policies taken out by the group.
- (v) a debenture dated 9 February 2000.

(b) Hire Purchase Creditor

Hire purchase creditors are secured by a charge over the corresponding fixed assets.

(c) Other Creditors

This consists of factored debts secured by debts purchased from the group (see note 14) and the balance of the consideration paid by Ex Stock Steels Limited for the trade and assets of Ex Stock Steel Services Ltd acquired in the year.

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

16. STATEMENT OF MOVEMENTS ON RESERVES	Revaluation Reserve	Profit & Loss Account	Total
	£	£	£
At 1 February 2001	293,019	1,646,873	1,939,892
Depreciation released	(5,860)	5,860	-
Loss for the year	-	(150,198)	(150,198)
	<u>287,159</u>	<u>1,502,535</u>	<u>1,789,694</u>

17. STATEMENT OF MOVEMENT IN SHAREHOLDERS FUNDS	2002	2001
	£	£
Loss for the year	(150,198)	(129,820)
Opening Shareholders Funds	<u>1,984,892</u>	<u>2,114,712</u>
Closing Shareholders Funds	<u>1,834,694</u>	<u>1,984,892</u>

18. PRIOR PERIOD ADJUSTMENT

The financial statements for the year to 31 January 2001 have been restated as fundamental errors were found in the preparation of the financial statements for the year ended 31 January 2001. The errors were so fundamental as to affect the truth and fairness of the prior year accounts. The figures for the year to 31 January 2001 had to be restated to show the effect of the prior year adjustment on the January 2000 figures (£135,270). The remainder of the adjustment relates to years to 31 January 2000.

19. RELATED PARTY TRANSACTIONS

(a) Ultimate Controlling Party

The directors consider that the ultimate controlling party is Mr D W Thomas by virtue of ownership of 99.99% of the Issued Share Capital. Mr D W Thomas is also a director of Dyfed Steels (Southern) Limited, Excel (Steel Stock) Limited and Ex Stock Steels Limited which are wholly owned subsidiaries of Dyfed Steels Limited.

20. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating Profit	259,526	309,085
Amortisation of Goodwill	1,438	-
Depreciation	382,973	332,859
Loss on sale of fixed assets	19,865	156
Loss on revaluation of investments	20,087	-
Decrease/(Increase) in stocks	585,844	(533,441)
Decrease/(Increase) in debtors	566,647	(1,166,194)
(Decrease)/Increase in creditors	(668,113)	<u>1,913,909</u>
Net cash inflow from operating activities	<u>1,168,267</u>	<u>856,374</u>

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

21. RECONCILIATION OF MOVEMENTS IN NET DEBT AND CASH FLOW

	<u>2002</u>	<u>2001</u>
	£	£
Increase/(Decrease) in Cash in the year	24,782	(223,286)
Cash inflow/(outflow) from financing in the year	135,409	(38,919)
Cash inflow from finance leases in the year	<u>375,124</u>	<u>355,244</u>
Changes in net debt resulting from cash flows	535,315	93,039
Inception of finance leases	(288,743)	(495,466)
Movement in net debt in the year	246,572	(402,427)
Net debt at 1 February 2001	<u>(1,563,544)</u>	<u>(1,161,117)</u>
Net debt at 31 January 2002	<u>(1,316,972)</u>	<u>(1,563,544)</u>

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 February 2001	Cash	Non Cash	At 31 January 2002
	£	£	£	£
Cash in Hand & at Bank	118,020	114,590	-	232,610
Overdraft	(906,729)	(89,808)	-	(996,537)
Debt	(218,919)	135,409	-	(83,510)
Finance Leases	<u>(555,916)</u>	<u>375,124</u>	<u>(288,743)</u>	<u>(469,535)</u>
	<u>(1,563,544)</u>	<u>535,315</u>	<u>(288,743)</u>	<u>(1,316,972)</u>

23. SUBSIDIARY UNDERTAKINGS

The company's three subsidiaries are Dyfed Steels (Southern) Limited, Excel (Steel Stock) Limited and Ex Stock (Steels) Limited all of which are incorporated in the UK and whose results are included in these consolidated accounts. The share capital in all companies consists of ordinary shares and are 100 per cent owned by Dyfed Steels Limited.

24. GOODWILL PREVIOUSLY ELIMINATED AGAINST RESERVES

The goodwill arising on acquisition of Excel (Steel Stock) Limited has been written off against the reserves in previously consolidations in the sum of £86,742. This goodwill had been eliminated as a matter of accounting policy and will be charged or credited in the profit and loss on any subsequent disposal of the business to which it relates.

25. POST BALANCE SHEET EVENTS

On 1 February 2002 the group acquired the business of David W Thomas Limited Newtown - steel stockholders.

DYFED STEELS LIMITED & SUBSIDIARIES
NOTES TO THE 2002 ACCOUNTS (continued)

26. ADJUSTMENT TO FAIR VALUE

Ex Stock Steels – a wholly owned subsidiary of Dyfed Steels Limited acquired the trade and assets of Ex Stock Steel Services Limited on 1 December 2001 for a consideration of £345,840 payable by cash of which £235,840 was still payable at the year end and is included in other creditors (note 10). At 1 December 2001 the book values and fair values of the net assets acquired were as follows:-

	Net Assets Acquired £	Fair Value Adjustment £	Fair Value £
Tangible Assets	168,572	(61,309)	107,263
Stocks	152,268	-	152,268
Total Net Assets Acquired	<u>320,840</u>	<u>(61,309)</u>	<u>259,531</u>
Consideration			345,840
Goodwill arising			<u>86,309</u>
Total Net Assets acquired			<u>259,531</u>

The fair value adjustment is as a result of revaluations made on acquisition and is reflected in these accounts.