

Steel River Limited
Annual report and accounts
for the year ended 31 December 2003

Registered Number 3160037



Steel River Limited

Annual report and accounts

for the year ended 31 December 2003

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Steel River Limited

Directors' report for the year ended 31 December 2003

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

Principal activities

The results for the year are set out on page 4 of these financial statements. The principal activity of the company is the provision of management services.

Review of business and future development

The directors consider that the year end financial position was satisfactory and expect that the current level of activity will be sustained.

Results and dividends

The directors do not recommend the payment of a dividend (2002: £Nil).

Directors and their interests

The directors who held office during the year are given below:

RW Brown

DP Brown

The directors beneficial interests in the company as at the beginning and the end of the year were:

	Ordinary shares of £1 each	
	2003	2002
	£	£
DP Brown	12	12
RW Brown	-	-

DP Brown also had a beneficial interest in 4,019,989 shares held in the company by DP Brown Trusts.

Steel River Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

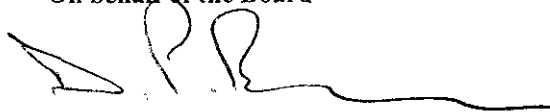
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'P.R.' followed by a long horizontal line.

Director

16 September 2004

Steel River Limited

Independent Auditors' report to the members of Steel River Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
16 September 2004

Steel River Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	1	301,542	189,154
Cost of sales		(8,962)	(8,336)
Gross profit		295,580	180,818
Administrative expenses		(375,363)	(491,677)
Operating loss		(82,783)	(310,859)
Interest payable	4	-	(7)
Loss on ordinary activities before taxation	5	(82,783)	(310,866)
Tax on loss on ordinary activities	6	-	-
Loss for the year	13	(82,783)	(310,866)

All of the activities of the company are continuing.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

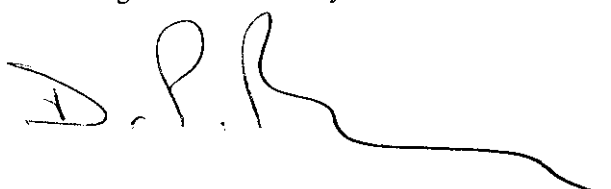
There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Steel River Limited

Balance sheet as at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible fixed assets	8		253,507		267,090
Investments	7		1,002		1,002
			254,509		268,092
Current assets					
Debtors: amounts falling due after more than one year	9	760,546		906,539	
Debtors: amounts falling due within one year	10	555,304		344,972	
Total debtors		1,315,850		1,251,511	
Cash at bank and in hand		489		423	
		1,316,339		1,251,934	
Creditors: amounts falling due within one year	11	(833,408)		(699,803)	
Net current assets			482,931		552,131
Net assets			737,440		820,223
Capital and reserves					
Called up equity share capital	12		4,020,001		4,020,001
Profit and loss account	13		(3,282,561)		(3,199,778)
Equity shareholders' funds	14		737,440		820,223

The financial statements on pages 4 to 14 were approved by the board of directors on 16 September 2004 and were signed on its behalf by:



DP Brown
Director

Steel River Limited

Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Cash flow statement

The directors have not prepared a cash flow statement under the exemptions allowed by Financial Reporting Standard No. 1 "Cash flow statements" ("FRS 1") to small companies.

Turnover

Turnover represents the total amount receivable (excluding VAT) from the provision of management services to companies within the Steel River Group.

Group accounts

The company has taken advantage of the exemption in Section 248 (1) of the Companies Act 1985 not to prepare group accounts as it and its subsidiaries qualify as a medium-sized group under the conditions in Section 149 of the Act. Consequently the company's financial statements present information about the company as an individual and not about its group.

Depreciation

Depreciation of tangible fixed assets is calculated on a straight line basis at rates designed to write them off over their estimated useful lives as follows:

Land and buildings	2% per annum
Fixtures and fittings	15% per annum
Motor vehicles	25% per annum

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

Fixed asset investments are stated at cost, unless there is a permanent diminution in the value of the investment, when they are written down to their recoverable amount.

Pensions

The cost of contributing to personal pension plans on behalf of employees is charged to the profit and loss account as the expenditure is incurred.

Steel River Limited

Notes to the financial statements for the year ended 31 December 2003

1 Turnover

All turnover arose from the provision of management services in the United Kingdom.

2 Directors' emoluments

The emoluments paid to the directors for their services to the company were £nil (2002: £7,241).

3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2003 Number	2002 Number
Salaried	13	11

	2003 £	2002 £
Staff costs (for the above persons):		
Wages and salaries	263,796	198,439
Social security costs	22,540	19,866
Pension contributions	2,548	-
	288,884	218,305

4 Interest

	2003 £	2002 £
Bank interest payable	-	7

Steel River Limited

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£	£
Auditors' remuneration for audit services	5,000	2,300
Depreciation	15,317	14,775
Provision against amounts due from subsidiary undertakings (see note 10)	-	116,372

6 Taxation on profit on ordinary activities

a) Analysis of charge for the year

There is no tax charge for the year (2002: £Nil).

b) Factors affecting the tax charge for the year

The effective tax rate for the period is higher than the standard rate of UK corporation tax. The differences are explained below:

	2003	2002
	£	£
(Loss) on ordinary activities at UK tax rate of 19% (2002: 19%)	(15,729)	(59,065)
Effect of:		
Expenses not deductible for tax purposes	3,461	2,035
Accelerated capital allowances / other timing differences	12,268	47,736
Group relief surrendered not paid	-	9,294
Utilisation of losses	-	-
Total current tax charge	-	-

Steel River Limited

6 Taxation on profit on ordinary activities (continued)

c) Factors affecting future tax charges

The directors consider that on the basis of all available evidence there will not be suitable taxable profits in future years to justify recognising any deferred tax asset in the current or prior year.

The following deferred tax assets have not been recognised:

	2003 £	2002 £
Excess of capital allowances over depreciation	4,477	2,359
Short term timing differences	436,292	436,292
Losses	145,096	135,481
	585,865	574,132

The directors are not aware of any other factors which may effect the future tax charge.

7 Investments in subsidiary undertakings

Name	Country of incorporation	Holding	Principal activity	Aggregate capital and reserves £	Profit/(loss) for the period £
Yarm Trading Ltd	England and Wales	100%	Clothes retailer	(1,041,377)	(162,763)
C Homes Ltd	England and Wales	90%	House builder	33,364	(14,078)
Just Harleys Ltd	England and Wales	100%	Motorcycle retailer	(1,456,427)	(38,775)

Shares in subsidiary undertakings:

	2003 £	2002 £
C Homes Limited	1,000	1,000
Yarm Trading Limited	1	1
Just Harleys Limited	1	1
Cost at 31 December	1,002	1,002

Steel River Limited

8 Tangible fixed assets

	Land and buildings	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2003	285,758	53,917	19,124	358,799
Additions	-	1,734	-	1,734
Disposals	-	-	-	-
At 31 December 2003	285,758	55,651	19,124	360,533
Accumulated depreciation				
At 1 January 2003	26,427	46,158	19,124	91,709
Charge for the year	5,824	9,493	-	15,317
Disposals	-	-	-	-
At 31 December 2003	32,251	55,651	19,124	107,026
Net book amount				
At 31 December 2003	253,507	-	-	253,507
At 31 December 2002	259,331	7,759	-	267,090

9 Debtors: Amounts falling due after more than one year

	2003	2002
	£	£
Amounts owed by subsidiary undertakings	705,546	906,539
Amounts owed by related parties	55,000	-
	760,546	906,539

Provision is made against amounts owed by subsidiary undertakings to the extent that directors consider the amounts not be recoverable. The company has agreed not to seek repayments of the loans until the rights of other creditors have been satisfied. It has also agreed to provide additional finance to enable the subsidiaries to meet their day to day obligations as necessary.

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10 Debtors: Amounts falling due within one year

	2003	2002
	£	£
Trade debtors	10,340	89,313
Other debtors	171,998	72,103
Amounts owed by subsidiary undertakings	372,966	183,556
	555,304	344,972

11 Creditors: Amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	5,446	4,711
Trade creditors	35,926	46,211
Amounts owed to subsidiary undertakings	213,300	117,310
Other creditors (Note 15)	544,475	496,517
Accruals and deferred income	31,261	35,054
	833,408	699,803

12 Called up equity share capital

	2003	2002
	£	£
Authorised		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Allotted and fully paid		
4,020,001 ordinary shares of £1 each	4,020,001	4,020,001

Steel River Limited

13 Profit and loss account

	£
At 1 January 2003	(3,199,778)
Loss for the financial year	(82,783)
At 31 December 2003	(3,262,561)

14 Reconciliation of movements in equity shareholders' funds

	2003 £	2002 £
Loss for the financial year	(82,783)	(310,866)
Net reduction in equity shareholders' funds	(82,783)	(310,866)
Equity shareholders' funds at 1 January	820,223	1,131,089
Equity shareholders' funds at 31 December	737,440	820,223

Steel River Limited

15 Related party transactions

Included in other creditors is a loan from a director DP Brown totalling £490,185 (2002: £490,185). The loan bears no interest and is repayable upon on demand.

During the year the company charged management fees for the following companies and had indebtedness balances (shown gross) with these companies as follows:

	Income/ (charge) Total £	Debtor / (creditor) as at 31 December 2003 £
Subsidiaries		
Yarm Trading Limited - management fee	128,000	136,500
- other		56,771
Yarm Trading Limited - loan		1,458,312
Just Harleys Limited - management fee	65,000	90,000
- other		64,695
Just Harleys Limited - loan	-	1,534,500
C Homes Limited - management fee		25,000
C Homes Limited - other	-	(213,300)
Related parties in which DP Brown has controlling interest		
Clarion Homes Limited	(20,000)	(45,000)
& Eve Ltd	19,000	30,610
Thimbleby Estates Limited	50,000	46,995
Driving Force Limited	5,000	6,334
Brownies Limited	70,195	148,080
Crossco 315 Limited	-	53,500

16 Controlling party

DP Brown is considered the ultimate controlling party via his beneficial interest in shares held in Steel River Limited by DP Brown Trusts.

Steel River Limited

17 Contingent liabilities

Steel River Limited has agreed not to seek repayment of its loans to subsidiary undertakings and related parties until the rights of the other creditors have been satisfied. Steel River Limited has also agreed to provide additional finance to enable Just Harleys Limited and Yarm Trading to meet their day to day obligations.