

Steel River Limited

Annual report and accounts

for the year ended 31 December 2001

Registered Number 3160037



Steel River Limited

Annual report and accounts

for the year ended 31 December 2001

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Steel River Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

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

Both the level of business and the year end financial position were satisfactory and the directors expect that the current level of activity will be sustained.

Results and dividends

The directors do not recommend the payment of a dividend (2000: £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 are:

	Ordinary shares of £1 each	
	2001	2000
	£	£
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 2001 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

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 20 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board



Director

24 January 2003

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 and the related notes which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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 United Kingdom Companies Act. 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
24 January 2003

Steel River Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	254,357	184,940
Cost of sales		(85,009)	(11,437)
Gross profit		169,348	173,503
Administrative expenses		(594,953)	(1,020,877)
Operating loss		(425,605)	(847,374)
Interest payable	4	(54)	(279)
Loss on ordinary activities before taxation	5	(425,659)	(847,653)
Tax on loss on ordinary activities	6	-	-
Retained (loss)/profit for the year	13	(425,659)	(847,653)

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.

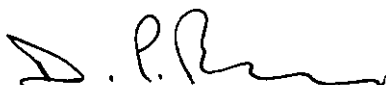
There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Steel River Limited

Balance sheet as at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible fixed assets	8		280,428		294,393
Investments	7		1,002		1,002
			281,430		295,395
Current assets					
Debtors: amounts falling due within one year	9	371,047		277,369	
Debtors: amounts falling due after more than one year	10	1,027,608		1,569,183	
Total debtors		1,398,655		1,846,552	
Cash at bank and in hand		11,481		397	
		1,410,136		1,846,949	
Creditors: amounts falling due within one year	11	(560,477)		(585,596)	
Net current assets			849,659		1,261,353
Net assets			1,131,089		1,556,748
Capital and reserves					
Called up equity share capital	12		4,020,001		4,020,001
Profit and loss account	13		(2,888,912)		(2,463,253)
Equity shareholders' funds	14		1,131,089		1,556,748

The financial statements on pages 4 to 13 were approved by the board of directors on 24 January 2003 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 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 small group under the conditions in Section 149 of the Act and is not an ineligible group as defined in Section 248. 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%
Fixtures and fittings	15%
Motor vehicles	25%

Deferred taxation

Provision for deferred taxation is made only where there is reasonable probability that a liability will crystallise in the foreseeable future.

Steel River Limited

Notes to the financial statements for the year ended 31 December 2001

1 Turnover

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

2 Directors' emoluments

The directors did not receive any emoluments for their services to the company (2000: £Nil).

3 Employee information

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

	2001	2000
	Number	Number
Salaried	12	14

	2001	2000
	£	£
Staff costs (for the above persons):		
Wages and salaries	218,097	160,390
Social security costs	19,169	14,078
	237,266	174,468

4 Interest

	2001	2000
	£	£
Bank interest payable	(54)	(279)

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5 Loss on ordinary activities before taxation

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

	2001 £	2000 £
Auditors' remuneration for audit services	2,300	2,000
Depreciation	20,770	20,245
Charge/(release) of provision against amounts due from subsidiary undertakings (see note 10)	295,960	642,387

6 Taxation on profit on ordinary activities

There is no tax charge for the year (2000: £Nil).

Whilst there are losses to carry forward to future years, 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:

	2001 £	2000 £
Excess of capital allowances over depreciation	2,106	532
Short term timing differences	435,981	376,789
Losses	114,540	90,199
	552,627	467,520

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

Steel River Limited

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	(807,564)	(29,436)
C Homes Ltd	England and Wales	90%	House builder	135	2,495
Just Harleys Ltd	England and Wales	100%	Motorcycle retailer	(1,372,330)	(266,524)

Shares in subsidiary undertakings:

	2001 £	2000 £
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

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8 Tangible fixed assets

	Land and buildings	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2001	285,758	45,675	19,124	350,557
Additions	-	6,917	-	6,917
Disposals	-	(112)	-	(112)
At 31 December 2001	285,758	52,480	19,124	357,362
Accumulated depreciation				
At 1 January 2001	15,000	26,603	14,561	56,164
Charge for the year	5,715	10,492	4,563	20,770
Disposals	-	-	-	-
At 31 December 2001	20,715	37,095	19,124	76,934
Net book amount				
At 31 December 2001	265,043	15,385	-	280,428
At 31 December 2000	270,758	19,072	4,563	294,393

9 Debtors - Amounts falling due within one year

	2001	2000
	£	£
Trade debtors	60,760	8,787
VAT recoverable	3,949	10,924
Amounts owed by subsidiary undertakings	306,338	257,658
	371,047	277,369

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10 Debtors - Amounts falling due after more than one year

	2001	2000
	£	£
Amounts owed by subsidiary undertakings	1,027,608	1,569,183

Provision is made against amounts owed by subsidiary undertakings to the extent that directors consider the amounts not be recoverable.

11 Creditors – Amounts falling due within one year

	2001	2000
	£	£
Bank overdraft	-	6,552
Trade creditors	42,208	69,895
Tax and social security		
Other creditors	491,185	490,185
Accruals and deferred income	27,084	18,964
	560,477	585,596

12 Called up equity share capital

	2001	2000
	£	£
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

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13 Profit and loss account

	£
At 1 January 2001	(2,463,253)
Loss for the financial year	(425,659)
At 31 December 2001	(2,888,912)

14 Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
Loss for the financial year	(425,659)	(847,653)
Net reduction in equity shareholders' funds	(425,659)	(847,653)
Equity shareholders' funds at 1 January	1,556,748	2,404,401
Equity shareholders' funds at 31 December	1,131,089	1,556,748

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15 Related party transactions

Included in other creditors is a loan from a director DP Brown totalling £490,185 (2000: £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 with these companies as follows:

	Income/ (charge) Total £	Debtor as at 31 December 2001 £
Subsidiaries		
Yarm Trading Limited -- management fee	61,000	111,239
Yarm Trading Limited -- loan		1,533,312
Just Harleys Limited -- management fee	25,000	55,694
Just Harleys Limited -- loan		1,618,500
C Homes Limited -- management fee	25,000	25,000
C Homes Limited -- loan		55,690
Related parties in which DP Brown has controlling interest		
Clarion Homes Limited	25,000	25,000
Crossco 315 Limited	50,000	50,000
Thimbleby Estates Limited	25,000	25,082
Driving Force Limited	5,000	5,007
Brownies Limited	30,000	30,287

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.