

AVON STEEL COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010



AVON STEEL COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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AVON STEEL COMPANY LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	S C Parson C P H Parson J C D Goldschmidt J R Bryant
Company secretary	S C Parson
Registered office	The Old Mill Park Road Shepton Mallet Somerset BA4 5BS
Auditor	Old Mill Audit LLP Chartered Accountants & Statutory Auditor The Old Mill Park Road Shepton Mallet Somerset BA4 5BS
Bankers	HSBC Bank Plc 17 North Street Taunton Somerset TA1 1NA

AVON STEEL COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2010

Principal activities and business review

The principal activity of the company during the year was that of steel trading and stock holding

Financial Key Performance Indicators

		2010	2009	2008	2007
Turnover	£'000	8,963	8,307	11,253	9,596
Gross profit	£'000	1,774	1,536	2,028	1,818
Gross profit margin	%	19.8	18.5	18.0	18.9
Profit/(loss) before exceptional items and taxation	£'000	201	(34)	189	157

Despite continued difficult economic conditions, Avon Steel's 2010 sales increased by 7.9% to £9.0 million. Helped by a number of factors including a higher gross profit margin at 19.8% (2009 18.5%) and good control of costs, the company returned to profits in 2010. Pre-tax profits of £46,618 were appreciably better than the previous year's loss of £158,670.

Despite some disruption from bad weather in the early weeks of the year, the directors are pleased to report that Avon Steel has traded profitably in the first quarter of 2011.

Results and dividends

The profit for the year, after taxation, amounted to £33,700. The directors have not recommended a dividend.

Principal business risks and financial risk management objectives and policies

Avon Steel is exposed to fluctuations in economic activity in general and manufacturing output in particular.

In the opinion of the directors the main risks to which the company is exposed comprise its extensive debtor book and the substantial value of its stocks.

At the end of 2010, the company's trade debtors totalled £2,108,971, an increase of 22.8% on the previous year. The directors put a high priority on securing the company's debtors as evidenced by its use of credit insurance and taking a disciplined approach to debt collection.

The value of the company's stocks stood at £642,626 at the end of 2010, 35.4% above the 2009 year end level.

The directors believe that the best protection against sudden price and demand fluctuations is a rapid stock turn; in this respect the company turns over its stock on average every 27 days.

AVON STEEL COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Directors

The directors who served the company during the year were as follows

S C Parson
C P H Parson
J C D Goldschmidt
J R Bryant

There was no third party indemnity insurance in place for the directors during the year

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

AVON STEEL COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Signed by order of the directors

S C Parson
Company Secretary

Approved by the directors on



23 MAY 2011

AVON STEEL COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AVON STEEL COMPANY LIMITED
YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Avon Steel Company Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

AVON STEEL COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AVON STEEL COMPANY LIMITED *(continued)*
YEAR ENDED 31 DECEMBER 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Old Mill Audit Ltd

ANDREW MOORE (Senior Statutory Auditor)
For and on behalf of
OLD MILL AUDIT LLP
Chartered Accountants & Statutory Auditor

The Old Mill
Park Road
Shepton Mallet
Somerset
BA4 5BS

1 Feb 2011

AVON STEEL COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
Turnover	2	8,963,079	8,307,116
Cost of sales		(7,188,601)	(6,771,541)
Gross profit		<u>1,774,478</u>	<u>1,535,575</u>
Distribution costs		(196,432)	(168,014)
Administrative expenses		(1,536,667)	(1,534,593)
Other operating income		13,575	13,500
Operating profit/(loss)	3	<u>54,954</u>	<u>(153,532)</u>
Attributable to			
Operating profit/(loss) before exceptional items		209,282	(28,444)
Exceptional items	3	(154,328)	(125,088)
		<u>54,954</u>	<u>(153,532)</u>
Interest receivable		104	94
Interest payable and similar charges	6	(8,445)	(5,232)
Profit/(loss) on ordinary activities before taxation		<u>46,613</u>	<u>(158,670)</u>
Tax on profit/(loss) on ordinary activities	7	(12,913)	29,796
Profit/(loss) for the financial year		<u><u>33,700</u></u>	<u><u>(128,874)</u></u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 20 form part of these financial statements

AVON STEEL COMPANY LIMITED

BALANCE SHEET

31 DECEMBER 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	315,246	350,074
Investments	10	100	100
		<u>315,346</u>	<u>350,174</u>
Current assets			
Stocks	11	642,626	474,590
Debtors	12	2,191,217	1,807,298
Cash at bank and in hand		36,440	83,708
		<u>2,870,283</u>	<u>2,365,596</u>
Creditors: Amounts falling due within one year	13	<u>2,323,095</u>	<u>1,876,103</u>
Net current assets		547,188	489,493
Total assets less current liabilities		<u>862,534</u>	<u>839,667</u>
Creditors: Amounts falling due after more than one year	14	13,644	23,799
Provisions for liabilities			
Deferred taxation	16	3,822	4,500
		<u>845,068</u>	<u>811,368</u>
Capital and reserves			
Called-up equity share capital	19	1,205	1,205
Share premium account	20	29,795	29,795
Other reserves	20	117,500	117,500
Profit and loss account	20	696,568	662,868
Shareholders' funds	21	<u>845,068</u>	<u>811,368</u>

These financial statements were approved by the directors and authorised for issue on 23 Mar 2011, and are signed on their behalf by

S C Parson
Director



Company Registration Number 01346397

The notes on pages 10 to 20 form part of these financial statements

AVON STEEL COMPANY LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
Net cash (outflow)/inflow from operating activities	22	(135,523)	79,621
Returns on investments and Servicing of finance			
Interest received		104	94
Interest paid		(1,510)	(339)
Interest element of hire purchase		(6,935)	(4,893)
Net cash outflow from returns on investments and servicing of finance		(8,341)	(5,138)
Taxation		32,129	(41,297)
Capital expenditure			
Payments to acquire tangible fixed assets		(6,778)	(9,687)
Net cash outflow from capital expenditure		(6,778)	(9,687)
Equity dividends paid		-	(70,000)
Cash outflow before financing		(118,513)	(46,501)
Financing			
Capital element of hire purchase		(32,236)	(34,755)
Net cash outflow from financing		(32,236)	(34,755)
Decrease in cash	22	(150,749)	(81,256)

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

Consolidating the dormant subsidiary undertaking would have an immaterial effect on the financial statements. Therefore the financial statements have been prepared as a single entity only and group financial statements have not been prepared

Turnover

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

Sales are recognised as income when goods are delivered to the customer

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Leasehold land and buildings	- over the term of the lease
Plant and machinery	- 15% straight line
Motor vehicles	- 25% straight line

No depreciation is provided in respect of the company's investment property. Although the Companies Act 2006 would normally require the systematic depreciation of fixed assets, it is believed that this policy of not providing depreciation on investment property is necessary in order for the financial statements to give a true and fair view as market valuation is more relevant than a measure of consumption in the activities of the company. It is the directors' policy to maintain the property in a good condition thus preserving its residual value and prolonging its useful life. On this basis, had the policy been to provide for depreciation on investment property, the depreciation charge in the financial statements would have been £Nil (2009 £Nil)

Investment properties

The company's investment properties are shown at market value in the accounts in accordance with Statement of Standard Accounting Practice No 19, any surplus over cost being transferred to a revaluation reserve, where revaluation is less than cost and is considered to be permanent in nature, the shortfall is charged to the profit and loss account. Where the fall in value is considered to be temporary, any adjustment is taken to the revaluation reserve.

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. Accounting policies *(continued)*

Stocks

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value represents estimated selling price less costs to complete and sell. Provision is made for slow moving, obsolete or damaged stock where the net realisable value is less than cost.

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 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 and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

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 or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

None of the turnover of the company is attributable to geographical markets outside the UK.

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2010	2009
	£	£
Depreciation of owned fixed assets	31,935	57,115
Depreciation of assets held under hire purchase agreements	21,001	19,009
Loss on disposal of fixed assets	620	–
Auditor's remuneration		
- as auditor	6,985	7,185
Operating lease costs		
- Plant and equipment	5,022	4,365
- Other	110,781	108,828
Exceptional item	<u>154,328</u>	<u>125,088</u>

The exceptional items relate to bad debts incurred during both years, over half of which in both years related to a single customer. Bad debts were unusually high in 2009 and 2010 due to extremely difficult economic conditions in the UK and the resultant high level of customer insolvencies.

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

4. Particulars of employees

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

	2010	2009
	No	No
Number of production staff	17	17
Number of administrative staff	8	8
Number of management staff	5	6
	<u>30</u>	<u>31</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	754,584	758,158
Social security costs	70,348	71,837
Other pension costs	1,500	10,875
	<u>826,432</u>	<u>840,870</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2010	2009
	£	£
Aggregate remuneration	222,234	231,954
Value of company pension contributions to money purchase schemes	1,500	10,875
	<u>223,734</u>	<u>242,829</u>

Remuneration of highest paid director:

	2010	2009
	£	£
Total remuneration (excluding pension contributions)	104,418	91,881
Value of company pension contributions to money purchase schemes	—	4,500
	<u>104,418</u>	<u>96,381</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

6. Interest payable and similar charges

	2010 £	2009 £
Interest payable on bank borrowing	1,510	339
Finance charges	6,935	4,893
	<u>8,445</u>	<u>5,232</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year	13,591	(32,129)
Over/under provision in prior year	-	515
Total current tax	13,591	(31,614)
Deferred tax		
Origination and reversal of timing differences (note 16)		
Capital allowances	(678)	1,818
Tax on profit/(loss) on ordinary activities	<u>12,913</u>	<u>(29,796)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2009 - 21%)

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	<u>46,613</u>	<u>(158,670)</u>
Profit/(loss) on ordinary activities by rate of tax	9,789	(33,321)
Expenses not deductible for tax purposes	3,124	36,152
Capital allowances for period in excess of depreciation	678	(2,166)
Utilisation of tax losses	-	(32,129)
Adjustments to tax charge in respect of previous periods	-	515
Other short term timing differences	-	(665)
Total current tax (note 7(a))	<u>13,591</u>	<u>(31,614)</u>

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

8. Dividends

Equity dividends

	2010 £	2009 £
Paid during the year		
Equity dividends on ordinary shares	—	<u>70,000</u>

9. Tangible fixed assets

	Freehold property £	Leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 January 2010	182,651	210,230	285,438	217,163	895,482
Additions	—	—	17,228	1,500	18,728
Disposals	—	—	(3,968)	—	(3,968)
At 31 December 2010	<u>182,651</u>	<u>210,230</u>	<u>298,698</u>	<u>218,663</u>	<u>910,242</u>
Depreciation					
At 1 January 2010	—	156,275	192,721	196,412	545,408
Charge for the year	—	14,389	27,797	10,750	52,936
On disposals	—	—	(3,348)	—	(3,348)
At 31 December 2010	<u>—</u>	<u>170,664</u>	<u>217,170</u>	<u>207,162</u>	<u>594,996</u>
Net book value					
At 31 December 2010	<u>182,651</u>	<u>39,566</u>	<u>81,528</u>	<u>11,501</u>	<u>315,246</u>
At 31 December 2009	<u>182,651</u>	<u>53,955</u>	<u>92,717</u>	<u>20,751</u>	<u>350,074</u>

The Freehold Property is Unit 2, 25 Clare Place, Coxside, Plymouth. This property is let to a third party under an operating lease and is therefore classified as an investment property. The building was purchased in December 2004 at a cost of £182,000, the directors consider its current market value to be not materially different to its cost at the Balance Sheet date.

Hire purchase agreements

Included within the net book value of £315,246 is £60,002 (2009 - £67,724) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £21,001 (2009 - £19,009).

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

10. Investments

	Shares and loans in Group Undertakings £
Cost	
At 1 January 2010 and 31 December 2010	<u>100</u>
Net book value	
At 31 December 2010 and 31 December 2009	<u>100</u>

The investment above is in Avon Stainless Products Limited (registered number 03997190), a dormant company incorporated in England and Wales. Its net assets at the year end were £100 (2009 £100) and its results for the year were £Nil (2009 £Nil). The shareholding comprises 100% of the issued ordinary share capital of the subsidiary.

11. Stocks

	2010 £	2009 £
Stock	<u>642,626</u>	<u>474,590</u>

12. Debtors

	2010 £	2009 £
Trade debtors	2,108,971	1,717,701
Corporation tax repayable	–	32,129
Other debtors	2,070	2,070
Directors' current accounts	21,577	–
Prepayments and accrued income	58,599	55,398
	<u>2,191,217</u>	<u>1,807,298</u>

13. Creditors: Amounts falling due within one year

	2010 £	2009 £
Overdrafts	103,481	–
Trade creditors	2,054,930	1,765,506
Amounts owed to group undertakings	100	100
Corporation tax	13,591	–
PAYE and social security	24,351	21,157
VAT	80,942	33,286
Hire purchase agreements	21,136	31,267
Directors' current accounts	–	5,792
Accruals and deferred income	24,564	18,995
	<u>2,323,095</u>	<u>1,876,103</u>

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

13. Creditors: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2010 £	2009 £
Hire purchase creditor	<u>21,136</u>	<u>31,267</u>

14. Creditors: Amounts falling due after more than one year

	2010 £	2009 £
Hire purchase agreements	<u>13,644</u>	<u>23,799</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2010 £	2009 £
Hire purchase creditor	<u>13,644</u>	<u>23,799</u>

15. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows

	2010 £	2009 £
Amounts payable within 1 year	21,136	31,267
Amounts payable between 1 and 2 years	<u>13,644</u>	<u>23,799</u>
	<u>34,780</u>	<u>55,066</u>

16. Deferred taxation

The movement in the deferred taxation provision during the year was

	2010 £	2009 £
Provision brought forward	4,500	2,682
Profit and loss account movement arising during the year	<u>(678)</u>	<u>1,818</u>
Provision carried forward	<u>3,822</u>	<u>4,500</u>

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

16. Deferred taxation (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £	2009 £
Excess of taxation allowances over depreciation on fixed assets	3,822	4,500
	<u>3,822</u>	<u>4,500</u>

17. Commitments under operating leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	843	-	-
Within 2 to 5 years	121,000	755	97,000	4,127
	<u>121,000</u>	<u>1,598</u>	<u>97,000</u>	<u>4,127</u>

18. Related party transactions

The company is controlled by S C and C P H Parson by virtue of their combined shareholding of 83% in the company's ordinary share capital

The company paid £62,000 (2009 £60,000) in premises' rentals to Mrs V Parson (the mother of S C and C P H Parson) together with a Trust of which S C and C P H Parson are beneficiaries

The directors maintained current accounts with the company through which credits and advances were made. At 31 December 2010, S Parson's loan account was overdrawn by £16,701 (2009 credit £2,587), C Parson's was overdrawn by £3,500 (2009 credit £4,581) and J Bryant's loan account was overdrawn by £1,376 (2009 £1,376). No interest is charged in respect of these loans and it is the intention of the directors to repay them within nine months of the year end

During the year the company paid the following dividends

S C Parson £Nil (2009 £32,200)

C P H Parson £Nil (2009 £25,900)

J C D Goldschmidt £Nil (2009. £11,900)

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

19. Share capital

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
1,205 Ordinary shares of £1 each	<u>1,205</u>	<u>1,205</u>	<u>1,205</u>	<u>1,205</u>

20. Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Balance brought forward	29,795	117,500	662,868
Profit for the year	—	—	33,700
Balance carried forward	<u>29,795</u>	<u>117,500</u>	<u>696,568</u>

21. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit/(Loss) for the financial year	33,700	(128,874)
Equity dividends	—	(70,000)
Net addition/(reduction) to shareholders' funds	33,700	(198,874)
Opening shareholders' funds	811,368	1,010,242
Closing shareholders' funds	<u>845,068</u>	<u>811,368</u>

22. Notes to the cash flow statement

Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	2010 £	2009 £
Operating profit/(loss)	54,954	(153,532)
Depreciation	52,936	76,124
Loss on disposal of fixed assets	620	—
(Increase)/decrease in stocks	(168,036)	257,003
(Increase)/decrease in debtors	(416,048)	353,750
Increase/(decrease) in creditors	340,051	(453,724)
Net cash (outflow)/inflow from operating activities	<u>(135,523)</u>	<u>79,621</u>

AVON STEEL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

22. Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	2010		2009	
	£	£	£	£
Decrease in cash in the period	(150,749)		(81,256)	
Cash outflow in respect of hire purchase	<u>32,236</u>		<u>34,755</u>	
Change in net debt resulting from cash flows		(118,513)		(46,501)
New finance leases		(11,950)		(39,350)
Movement in net debt in the period		<u>(130,463)</u>		<u>(85,851)</u>
Net funds at 1 January 2010		<u>28,642</u>		<u>114,493</u>
Net debt at 31 December 2010		<u>(101,821)</u>		<u>28,642</u>

Analysis of changes in net debt

	At 1 Jan 2010 £	Cash flows £	Other changes £	At 31 Dec 2010 £
Net cash				
Cash in hand and at bank	83,708	(47,268)	—	36,440
Overdrafts	—	(103,481)	—	(103,481)
	<u>83,708</u>	<u>(150,749)</u>	<u>—</u>	<u>(67,041)</u>
Debt				
Hire purchase agreements	(55,066)	32,236	(11,950)	(34,780)
Net debt	<u>28,642</u>	<u>(118,513)</u>	<u>(11,950)</u>	<u>(101,821)</u>