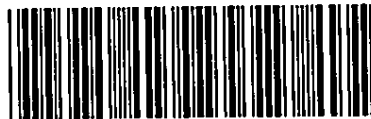


COMPANY REGISTRATION NUMBER 1346397

**AVON STEEL COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2008**

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# **AVON STEEL COMPANY LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

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**AVON STEEL COMPANY LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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<b>The board of directors</b>	S C Parson J C D Goldschmidt J R Bryant M Busley C P H Parson
<b>Company secretary</b>	S C Parson
<b>Registered office</b>	The Old Mill Park Road Shepton Mallet Somerset BA4 5BS
<b>Auditor</b>	Old Mill Accountancy LLP Chartered Accountants & Registered Auditor The Old Mill Park Road Shepton Mallet Somerset BA4 5BS
<b>Bankers</b>	Bank of Scotland City of London Corporate Centre 7th Floor Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB

# AVON STEEL COMPANY LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2008.

### 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

		2008	2007	2006	2005
Turnover	£,000	11,253	9,596	8,230	6,639
Gross Profit	£,000	2,028	1,818	1,774	1,491
Gross profit margin %		18.0	18.5	21.6	22.5
Profit before tax	£,000	189	157	259	265

In 2008 Avon Steel's sales reached £11.3 million, a 17.3% increase on the previous year, which continued the sales growth pattern established in recent years. Encouragingly and against a background of very erratic steel prices the company's pre-tax profits rose to £189,000 from the previous years £157,000.

The company continues to closely control costs and the level of its debtors and the directors were pleased to finish the year with net cash of £164,964 in the bank, a substantial improvement on the previous year.

### Results and dividends

The profit for the year, after taxation, amounted to £158,338. Particulars of dividends paid are detailed in note 9 to the financial statements.

### Financial risk management objectives and policies

In common with all UK companies that supply other businesses rather than individual consumers, Avon Steel is exposed to fluctuations in economic activity in general and manufacturing output in particular.

In the opinion of the directors, and apart from the above, 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 2008, the company's trade debtors totalled £2,089,014 a rise of only 4% 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 £731,593 at the end of 2008, 9% below the year end 2007 level.

The directors believe that the best protection against sudden price fluctuations is a rapid stock turn, particularly in a falling world market as experienced at the end of 2008; in this respect the company turns over its stock on average every 24 days.

# AVON STEEL COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

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### Directors

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

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

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

### Directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 these 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 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.

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.

### Donations

During the year the company made the following contributions:

	2008	2007
	£	£
Charitable	696	556

# AVON STEEL COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*


YEAR ENDED 31 DECEMBER 2008

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Signed by order of the directors

S C Parson  
Company Secretary

Approved by the directors on .....

  
18/5/09

**AVON STEEL COMPANY LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**AVON STEEL COMPANY LIMITED**  
**YEAR ENDED 31 DECEMBER 2008**

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We have audited the financial statements of Avon Steel Company Limited for the year ended 31 December 2008, which have been prepared on the basis of the accounting policies set out on pages 10 to 11.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**AVON STEEL COMPANY LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**AVON STEEL COMPANY LIMITED** *(continued)*

**YEAR ENDED 31 DECEMBER 2008**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



OLD MILL ACCOUNTANCY LLP  
Chartered Accountants  
& Registered Auditor

The Old Mill  
Park Road  
Shepton Mallet  
Somerset  
BA4 5BS

22 May 2009



**AVON STEEL COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
<b>Turnover</b>	<b>2</b>	11,253,071	9,595,633
Cost of sales		(9,224,717)	(7,777,210)
<b>Gross profit</b>		<u>2,028,354</u>	<u>1,818,423</u>
Distribution costs		(178,213)	(159,057)
Administrative expenses		(1,667,225)	(1,513,830)
Other operating income	<b>3</b>	13,500	13,500
<b>Operating profit</b>	<b>4</b>	<u>196,416</u>	<u>159,036</u>
Interest receivable		1,600	3,543
Interest payable and similar charges	<b>7</b>	(9,066)	(5,551)
<b>Profit on ordinary activities before taxation</b>		<u>188,950</u>	<u>157,028</u>
Tax on profit on ordinary activities	<b>8</b>	(30,612)	(32,203)
<b>Profit for the financial year</b>		<u><u>158,338</u></u>	<u><u>124,825</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 page 7 form part of these financial statements.

# AVON STEEL COMPANY LIMITED

## BALANCE SHEET

31 DECEMBER 2008

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	10	377,161	373,163
Investments	11	100	100
		<u>377,261</u>	<u>373,263</u>
<b>Current assets</b>			
Stocks	12	731,593	805,398
Debtors	13	2,128,919	2,082,496
Cash at bank and in hand		164,964	26,355
		<u>3,025,476</u>	<u>2,914,249</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>2,367,621</u>	<u>2,343,046</u>
<b>Net current assets</b>		657,855	571,203
<b>Total assets less current liabilities</b>		<u>1,035,116</u>	<u>944,466</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	22,192	9,710
		<u>1,012,924</u>	<u>934,756</u>
<b>Provisions for liabilities</b>			
Deferred taxation	17	2,682	12,852
		<u>1,010,242</u>	<u>921,904</u>
<b>Capital and reserves</b>			
Called-up equity share capital	20	1,205	1,205
Share premium account	21	29,795	29,795
Other reserves	22	117,500	117,500
Profit and loss account	23	861,742	773,404
<b>Shareholders' funds</b>	24	<u>1,010,242</u>	<u>921,904</u>

These financial statements were approved by the directors and authorised for issue on 18/5/09, and are signed on their behalf by:

S C Parson  
Director



The notes on page 8 form part of these financial statements.

# AVON STEEL COMPANY LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
<b>Net cash inflow/(outflow) from operating activities</b>	<b>25</b>	<b>433,582</b>	<b>(132,428)</b>
<b>Returns on investments and Servicing of finance</b>			
Interest received		1,600	3,543
Interest paid		(2,327)	14
Interest element of hire purchase		(6,739)	(5,565)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(7,466)</b>	<b>(2,008)</b>
<b>Taxation</b>		<b>(34,957)</b>	<b>(47,726)</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(72,926)	(4,197)
Receipts from sale of fixed assets		1,277	1,368
<b>Net cash outflow from capital expenditure</b>		<b>(71,649)</b>	<b>(2,829)</b>
<b>Equity dividends paid</b>		<b>(70,000)</b>	<b>(70,000)</b>
<b>Cash inflow/(outflow) before financing</b>		<b>249,510</b>	<b>(254,991)</b>
<b>Financing</b>			
Capital element of hire purchase		5,451	(46,251)
<b>Net cash inflow/(outflow) from financing</b>		<b>5,451</b>	<b>(46,251)</b>
<b>Increase/(decrease) in cash</b>	<b>25</b>	<b>254,961</b>	<b>(301,242)</b>

The notes on page 9 form part of these financial statements.

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

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**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

**Turnover**

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

**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 & Machinery	- 15% straight line
Motor Vehicles	- 25% straight line

**Investment properties**

No depreciation is provided in respect of the company's investment property. Although the Companies Act 1985 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. 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 (2007 - £Nil).

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.

**Stocks**

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

**Hire purchase agreements**

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

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

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**1. Accounting policies** *(continued)*

**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.

**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**

In the opinion of the directors, none of the turnover of the company is attributable to geographical markets outside the UK.

**3. Other operating income**

	2008	2007
	£	£
Rent receivable	13,500	13,500

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**4. Operating profit**

Operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation of owned fixed assets	31,765	30,153
Depreciation of assets held under hire purchase agreements	37,163	37,104
Profit on disposal of fixed assets	(1,277)	(1,368)
Auditor's remuneration		
- as auditor	6,700	6,700
- for other services	130	13,550
Operating lease costs:		
Plant and equipment	5,461	4,878
Other	116,086	93,860
	<u>116,086</u>	<u>93,860</u>

**5. Particulars of employees**

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

	2008	2007
	No	No
Number of production staff	17	17
Number of administrative staff	8	8
Number of management staff	6	6
	<u>31</u>	<u>31</u>

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	942,750	807,018
Social security costs	84,499	83,177
Other pension costs	99,793	79,657
	<u>1,127,042</u>	<u>969,852</u>

**6. Directors' emoluments**

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Aggregate emoluments	308,105	281,238
Value of company pension contributions to money purchase schemes	99,793	79,657
	<u>407,898</u>	<u>360,895</u>

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**6. Directors' emoluments** *(continued)*

**Emoluments of highest paid director:**

	2008 £	2007 £
Total emoluments (excluding pension contributions)	104,432	87,208
Value of company pension contributions to money purchase schemes	48,000	38,000
	<u>152,432</u>	<u>125,208</u>

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

	2008 No	2007 No
Money purchase schemes	<u>4</u>	<u>4</u>

**7. Interest payable and similar charges**

	2008 £	2007 £
Interest payable on bank borrowing	2,327	—
Finance charges	6,739	5,565
Other similar charges payable	—	(14)
	<u>9,066</u>	<u>5,551</u>

**8. Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	2008 £	2007 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	40,782	34,957
Total current tax	40,782	34,957
Deferred tax:		
Origination and reversal of timing differences (note 17)		
Capital allowances	(10,170)	(2,754)
Tax on profit on ordinary activities	<u>30,612</u>	<u>32,203</u>

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**8. Taxation on ordinary activities** *(continued)*

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.75% (2007 - 19.75%).

	2008 £	2007 £
Profit on ordinary activities before taxation	188,950	157,028
Profit on ordinary activities by rate of tax	39,207	31,013
Expenses not deductible for tax purposes	900	433
Capital allowances for period in excess of depreciation	675	3,337
Sundry tax adjusting items	-	174
Total current tax (note 8(a))	40,782	34,957

**9. Dividends**

**Equity dividends**

	2008 £	2007 £
Paid during the year:		
Equity dividends on ordinary shares	70,000	70,000

**10. Tangible fixed assets**

	Freehold Property £	Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 January 2008	182,651	210,230	204,975	193,913	791,769
Additions	-	-	31,426	41,500	72,926
Disposals	-	-	-	(18,250)	(18,250)
<b>At 31 December 2008</b>	182,651	210,230	236,401	217,163	846,445
<b>Depreciation</b>					
At 1 January 2008	-	127,497	144,773	146,336	418,606
Charge for the year	-	14,389	11,861	42,678	68,928
On disposals	-	-	-	(18,250)	(18,250)
<b>At 31 December 2008</b>	-	141,886	156,634	170,764	469,284
<b>Net book value</b>					
<b>At 31 December 2008</b>	182,651	68,344	79,767	46,399	377,161
<b>At 31 December 2007</b>	182,651	82,733	60,202	47,577	373,163



**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**10. Tangible fixed assets** *(continued)*

Included within land and buildings 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 2005 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 £377,161 is £75,718 (2007 - £69,977) 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 £37,163 (2007 - £37,104).

**11. Investments**

	<b>Shares and loans in Group Undertakings £</b>
<b>Cost</b>	
At 1 January 2008 and 31 December 2008	100
<b>Net book value</b>	
At 31 December 2008	100
At 31 December 2007	100

The investment above is in Avon Stainless Products Limited (formerly Plymouth Metal Centre Limited), a dormant company incorporated in England and Wales. Its net assets at the year end were £100 (2007: £100) and its results for the year were £Nil (2007 £Nil). The shareholding comprises 100% of the issued ordinary share capital of the subsidiary.

**12. Stocks**

	<b>2008 £</b>	<b>2007 £</b>
Stock	731,593	805,398

**13. Debtors**

	<b>2008 £</b>	<b>2007 £</b>
Trade debtors	2,089,014	2,002,254
Amounts owed by group undertakings	—	39,598
Other debtors	4,598	3,940
Prepayments and accrued income	35,307	36,704
	<u>2,128,919</u>	<u>2,082,496</u>

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**14. Creditors: Amounts falling due within one year**

	2008 £	2007 £
Overdrafts	–	116,352
Trade creditors	2,091,697	1,971,732
Amounts owed to group undertakings	100	–
Corporation tax	40,782	34,957
PAYE and social security	32,590	35,149
VAT	100,914	98,562
Hire purchase agreements	28,279	35,310
Directors current accounts	35,405	18,103
Accruals and deferred income	37,854	32,881
	<u>2,367,621</u>	<u>2,343,046</u>

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

	2008 £	2007 £
Hire purchase creditor	<u>28,279</u>	<u>35,310</u>

**15. Creditors: Amounts falling due after more than one year**

	2008 £	2007 £
Hire purchase agreements	<u>22,192</u>	<u>9,710</u>

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

	2008 £	2007 £
Hire purchase creditor	<u>22,192</u>	<u>9,710</u>

**16. Commitments under hire purchase agreements**

Future commitments under hire purchase agreements are as follows:

	2008 £	2007 £
Amounts payable within 1 year	28,279	35,310
Amounts payable between 1 and 2 years	22,192	9,710
	<u>50,471</u>	<u>45,020</u>

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**17. Deferred taxation**

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

	2008 £	2007 £
Provision brought forward	12,852	15,606
Profit and loss account movement arising during the year	(10,170)	(2,754)
Provision carried forward	<u>2,682</u>	<u>12,852</u>

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

	2008 £	2007 £
Excess of taxation allowances over depreciation on fixed assets	2,682	12,852
	<u>2,682</u>	<u>12,852</u>

**18. Commitments under operating leases**

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 2 to 5 years	72,000	4,127	-	3,372
After more than 5 years	29,600	-	101,600	755
	<u>101,600</u>	<u>4,127</u>	<u>101,600</u>	<u>4,127</u>

**AVON STEEL COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**19. 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 £72,000 (2007: £63,250) in premises rentals to Mrs V Parson (the mother of S C and C P H Parson) together with the Trust of which S C and C P H Parson are beneficiaries.

At the year end, the estate of T Parson (deceased), being the late father of SC and CPH Parson, owed £1,750 to the company, this was the maximum outstanding throughout the year (2007: £1,750).

The company paid £10,000 (2007: £10,000) to Wimbledon Park Consulting a business controlled by J C D Goldschmidt (director) for consultancy work.

Included in other debtors are amounts owed from directors as follows;

J Bryant £1,376 (maximum outstanding during the year £1,549) (2007: £1,386).

No interest is charged in respect of this loan and it is the intention of the director to repay it within nine months of the year end.

Included in other creditors are amounts owed to directors as follows;

S C Parson £11,472 (2007: £nil).

C P H Parson £23,933 (2007: £18,003).

There are no terms in respect of repayment of these loans.

The company owns 100% of the share capital of Avon Stainless Products Limited (ASPL). At the year end ASPL owed the company £100 (2007: £100).

**20. Share capital**

**Authorised share capital:**

	2008	2007
	£	£
5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

**Allotted, called up and fully paid:**

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>1,205</u>	<u>1,205</u>	<u>1,205</u>	<u>1,205</u>

**21. Share premium account**

There was no movement on the share premium account during the financial year.

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**22. Other reserves**

	2008 £	2007 £
Capital redemption reserve	<u>117,500</u>	<u>117,500</u>

**23. Profit and loss account**

	2008 £	2007 £
Balance brought forward	773,404	718,579
Profit for the financial year	158,338	124,825
Equity dividends	(70,000)	(70,000)
Balance carried forward	<u>861,742</u>	<u>773,404</u>

**24. Reconciliation of movements in shareholders' funds**

	2008 £	2007 £
Profit for the financial year	158,338	124,825
Equity dividends	(70,000)	(70,000)
Net addition to shareholders' funds	88,338	54,825
Opening shareholders' funds	921,904	867,079
Closing shareholders' funds	<u>1,010,242</u>	<u>921,904</u>

**25. Notes to the statement of cash flows**

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

	2008 £	2007 £
Operating profit	196,416	159,036
Depreciation	68,928	67,257
Profit on disposal of fixed assets	(1,277)	(1,368)
Decrease in stocks	73,805	9,659
Increase in debtors	(46,423)	(139,295)
Increase/(decrease) in creditors	142,133	(227,717)
Net cash inflow/(outflow) from operating activities	<u>433,582</u>	<u>(132,428)</u>

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**25. Notes to the statement of cash flows** *(continued)*

**Reconciliation of net cash flow to movement in net funds**

	2008		2007	
	£	£	£	£
Increase/(decrease) in cash in the period	254,961		(301,242)	
Cash outflow in respect of hire purchase	(5,451)		46,251	
		249,510		(254,991)
Change in net funds		249,510		(254,991)
Net debt at 1 January 2008		(135,017)		119,974
Net funds at 31 December 2008		<u>114,493</u>		<u>(135,017)</u>

**Analysis of changes in net funds**

	At 1 Jan 2008	Cash flows	At 31 Dec 2008
	£	£	£
Net cash:			
Cash in hand and at bank	26,355	138,609	164,964
Overdrafts	(116,352)	116,352	-
	<u>(89,997)</u>	<u>254,961</u>	<u>164,964</u>
Debt:			
Hire purchase agreements	(45,020)	(5,451)	(50,471)
Net funds	<u>(135,017)</u>	<u>249,510</u>	<u>114,493</u>