

Registered no: 1040087

R & R DEVELOPMENTS LIMITED

**Annual report
for the year ended 31 July 2002**



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R & R DEVELOPMENTS LIMITED

Annual report for the year ended 31 July 2002

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Directors and advisers

Executive directors

D B Anthony

S R I Liddle

D F Pickering

Secretary and registered office

D F Pickering

c/o PricewaterhouseCoopers LLP

Princess House

Princess Way

SWANSEA

SA1 5LH

Auditors

PricewaterhouseCoopers LLP

Princess House

Princess Way

SWANSEA

SA1 5LH

Bankers

Julian Hodge Bank Limited

10 Windsor Place

CARDIFF

CF10 3BX

HSBC Bank plc

13 Dunraven Place

BRIDGEND

CF31 1JQ

**Directors' report
for the year ended 31 July 2002**

The directors present their report and the audited financial statements for the year ended 31 July 2002.

Principal activities

The principal activity of the company is the supply of general maintenance and engineering work. The profit and loss account for the financial year is set out on page 6.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will increase and that the company will become profitable during the foreseeable future. During the next financial year the company's directors expect that the group's trading performance will improve as a result of new contracts obtained by the group.

Post balance sheet event

Subsequent to the end of the financial year the company became a subsidiary company of Celtic Management Holdings Limited.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2002 (2001: £Nil).

Changes in tangible fixed assets

The movements in tangible fixed assets during the financial year are set out in note 7 to the financial statements.

Directors

The directors of the company at 31 July 2002 and for the whole of the year ended on that date, were as follows:

D B Anthony
S R I Liddle
D F Pickering
C C Roberts
B E Mellin

Subsequent to the end of the financial year C C Roberts and B E Mellin resigned as directors of the company.

Directors' interests in shares of the company

None of the directors held any interest in the share capital of the company at 31 July 2002 and during the year ended 31 July 2002. The directors' interests in the shares of the holding company are shown in the directors' report of that company.

Directors' interests in contracts with the company

Except for the matters disclosed in note 22 to the financial statements, none of the directors had a material interest in any contract of significance to which the company was a party during the financial year.

Donations

During the year ended 31 July 2002 the company made charitable donations amounting to £300.

Directors' responsibilities

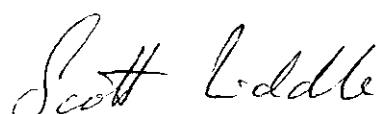
Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss and total recognised gains or losses of the company for that period. The directors are required to prepare the financial 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 with the exception of the changes arising on the adoption of new accounting standards in the year, as explained on page 10 under note 1 "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made, in preparing the financial statements for the year ended 31 July 2002 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, a resolution to appoint the new firm, PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

By order of the board**Director**

**Independent auditors' report to the members of
R & R DEVELOPMENTS LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

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 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. The other information comprises only the directors' report.

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 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.

**Independent auditors' report to the members of
R & R DEVELOPMENTS LIMITED (continued)**

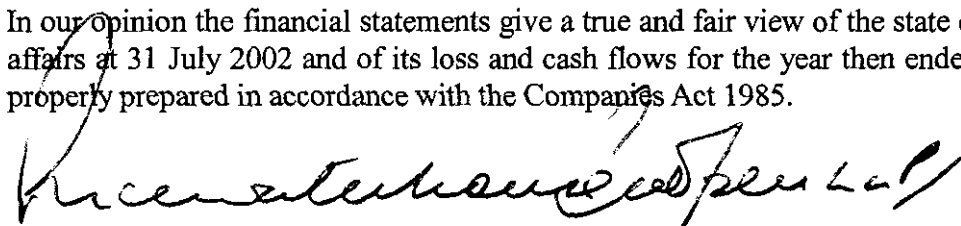
Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of amounts of £380,113 due from related companies. Details of the circumstances relating to the recoverability of these amounts are set out in note 10(b). Our opinion is not qualified in this respect.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the company's bankers, factoring company and related companies by providing adequate overdraft, credit and loan facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to the fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2002 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants and Registered Auditors
Swansea, 18 November 2003.

Profit and loss account for the year ended 31 July 2002

	Notes	2002 £	2001 £
Turnover	2	5,210,576	4,242,350
Change in stocks of work in progress		7,750	167,509
		5,218,326	4,409,859
Raw materials and consumables		(2,800,430)	(1,127,068)
Other external charges		(125,896)	(181,068)
		2,292,000	3,101,723
Staff costs	3	(1,997,777)	(2,739,624)
Depreciation and other amounts written off tangible fixed assets		(58,026)	(41,979)
Other operating charges		(491,011)	(408,448)
Operating (loss)		(254,814)	(88,328)
Interest receivable and similar income		-	79
Interest payable and similar charges	4	(22,500)	(30,486)
(Loss) on ordinary activities before taxation	5	(277,314)	(118,735)
Tax credit on (loss) on ordinary activities	6	28,600	16,800
(Loss) for the financial year	15	(248,714)	(101,935)
Statement of retained profits/(accumulated losses)			
Retained profits at 1 August 2001		134,886	236,821
(Loss) for the year		(248,714)	(101,935)
Accumulated losses at 31 July 2002		(113,828)	134,886

The company has no recognised gains or 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.

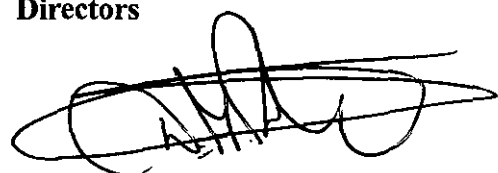
The turnover and operating loss for the year have been derived from the continuing operations of the company.

Balance sheet at 31 July 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	7	236,945	174,953
Investment	8	170,000	-
		<u>406,945</u>	<u>174,953</u>
Current assets			
Stocks	9	306,681	327,056
Debtors	10	2,384,329	1,960,131
Cash at bank and in hand		38	1,229
		<u>2,691,048</u>	<u>2,288,416</u>
Creditors: amounts falling due within one year	11	<u>(3,050,265)</u>	<u>(2,303,055)</u>
Net current liabilities		<u>(359,217)</u>	<u>(14,639)</u>
Total assets less current liabilities		<u>47,728</u>	<u>160,314</u>
Creditors: amounts falling due after more than one year	12	<u>(161,531)</u>	<u>(6,803)</u>
Provisions for liabilities and charges	13	<u>-</u>	<u>(18,600)</u>
Net (liabilities)/assets		<u>(113,803)</u>	<u>134,911</u>
Capital and reserves			
Called up share capital	14	25	25
Profit and loss account		(113,828)	134,886
Equity shareholders' (deficit)/funds	15	<u>(113,803)</u>	<u>134,911</u>

The financial statements on pages 6 to 21 were approved by the board of directors on
11 November 2003 and were signed on its behalf by:

Directors



Scott Liddle

Cash flow statement for the year ended 31 July 2002

	Notes	2002 £	2001 £
Net cash inflow from continuing operating activities (page 9)		142,651	75,426
Returns on investments and servicing of finance			
Interest received		-	79
Interest paid on bank overdraft and other loans		(17,925)	(22,004)
Interest paid on finance leases and hire purchase contracts		(4,264)	(4,623)
Interest paid on tax paid late		(311)	(3,859)
Net cash outflow from return on investments and servicing of finance		(22,500)	(30,407)
Taxation			
UK corporation tax paid		(1,477)	-
UK corporation tax refund		3,324	-
		1,847	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(125,106)	(28,719)
Sale of tangible fixed assets		5,088	-
Net cash (outflow) from capital expenditure		(120,018)	(28,719)
Acquisitions and disposals			
Purchase of investment in subsidiary company		(170,000)	-
Net cash (outflow)/inflow before financing		(168,020)	16,300
Financing			
Inception of hire purchase and finance lease contracts	19	42,401	12,837
Payment of principal under hire purchase and finance lease contracts	19	(42,845)	(34,757)
		(444)	(21,920)
(Decrease) in cash and cash equivalents	20	(168,464)	(5,620)

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

	2002 £	2001 £
Operating (loss)	(254,814)	(88,328)
Depreciation of tangible fixed assets	50,339	41,979
Loss on sale of tangible fixed assets	7,687	-
Decrease/(increase) in stocks	20,375	(152,967)
(Increase)/decrease in trade debtors	(387,703)	77,112
Decrease/(increase) in amounts due from related and parent companies	398,522	(12,045)
(Increase)/decrease in prepayments and accrued income	(426,864)	158,819
(Decrease)/increase in trade creditors	(108,888)	39,055
Increase in amounts owed to related companies	80,977	283,380
Increase/(decrease) in taxation and social security payable	111,033	(90,635)
Increase/(decrease) in accruals and deferred income	552,786	(229,297)
Increase in amount due to directors and former director	99,201	48,353
Net cash inflow from continuing operating activities	142,651	75,426

Reconciliation of net cash movement to net debt

	Notes	2002 £	2001 £
Decrease in cash in the year	20	(168,464)	(5,620)
Cash outflow from decrease in debt and hire purchase and finance leases	19	42,845	34,757
New hire purchase and finance leases in the year	19	(42,401)	(12,837)
Movement in net debt during the year		(168,020)	16,300
Net debt at 1 August 2001	20	(907,356)	(923,656)
Net debt at 31 July 2002	20	(1,075,376)	(907,356)

**Notes to the financial statements
for the year ended 31 July 2002****1 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made on the adoption of new accounting standards in the financial year.

Changes in accounting policies

The company has adopted FRS 19 "Deferred tax" in these financial statements. The adoption of this standard represents a change in accounting policy and there has been no change in comparative figures required. FRS 18 "Accounting policies" has been adopted in the current year but this did not require any change in accounting policy.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of preparing the financial statements

During the financial year the company incurred losses of £248,714 (2001: £101,935) and at 31 July 2002 current liabilities exceed current assets by £359,217 (2001: £14,639). The company meets its day to day working capital requirements through a bank overdraft facility which, in common with all such facilities, is repayable on demand. At the balance sheet date the bank overdrafts totalled £255,501 (2001: 289,928), factoring advances totalled £781,131 (2001: £579,431) and amounts owed to related companies totalled £561,120 (2001: £480,143).

The company's bankers, factoring company and related companies have agreed to continue the overdraft, credit and loan facilities to the company and the financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company's bankers, factoring company and related companies continuing their support by providing adequate overdraft, credit and loan facilities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price together with any incidental expenses less accumulated depreciation.

Depreciation

Depreciation is calculated so as to write off the cost, less the estimated net realisable value, of tangible fixed assets on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings and equipment	20%
Plant and machinery	20%
Motor vehicles	20%

Finance and operating leases

Where assets are financed by leasing agreements which give substantially the same rights as ownership ("finance leases"), the assets are treated as if they had been purchased outright at the capital value of the assets, and the corresponding leasing commitments are shown as obligations due to the lessor. The capital element of lease payments is applied to reduce the outstanding obligations and the interest is charged to the profit and loss account over the period of the lease. Other lease rentals are charged wholly to the profit and loss account.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In the case of manufactured products, cost includes all direct expenditure and production overheads based upon a normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. Work in progress is valued as a percentage of completed work selling price.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Pension costs

The company participates in a defined contribution money purchase scheme. The charge against profits represents the contributions payable to the pension scheme in respect of the accounting period. The assets of the pension scheme are held separately from those of the company.

Deferred taxation

Provision is made for deferred taxation in respect of all material timing differences that have originated but not reversed by the balance sheet date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in the financial statements. No deferred tax is recognised on permanent timing differences between the company's taxable gains and losses and its results, as stated in the financial statements. Deferred tax assets and liabilities are included without discounting.

2 Turnover

The turnover of the company is wholly attributable to the principal activity and arose entirely within the United Kingdom.

3 Employee information

The average weekly number of persons (including directors) employed during the financial year was:

	2002	2001
Directors	5	5
Administration	6	9
Production	84	131
	<u>95</u>	<u>145</u>

Staff costs (for the above persons)

	2002 £	2001 £
Wages and salaries	1,821,943	2,496,837
Social security costs	164,545	231,514
Pension costs	16,289	16,273
Net management charges receivable	(5,000)	(5,000)
	<u>1,997,777</u>	<u>2,739,624</u>

Directors' remuneration

	2002 £	2001 £
Emoluments including benefits in kind	74,042	81,174
Pension contributions (see below)	6,030	6,030
	<u>80,072</u>	<u>87,204</u>

Retirement benefits are accruing to 2 (2001: 2) directors under money purchase schemes.

4 Interest payable and similar charges

	2002 £	2001 £
On bank overdrafts and other loans	17,925	22,004
On finance leases and hire purchase contracts	4,264	4,623
Interest and penalties on tax paid late	311	3,859
	<u>22,500</u>	<u>30,486</u>

5 (Loss) on ordinary activities before taxation

	2002 £	2001 £
(Loss) on ordinary activities before taxation is stated after charging: Depreciation charge for the year:		
Tangible owned fixed assets	34,167	25,665
Assets held under hire purchase and finance lease contracts	16,172	16,314
Auditors' remuneration	4,750	4,500
Hire of plant and machinery – operating leases	68,874	104,560
Loss on disposal of tangible fixed assets	7,687	-
	<u>7,687</u>	<u>-</u>

6 Tax credit on (loss) on ordinary activities

	2002 £	2001 £
United Kingdom corporation tax at 20% (2001: 20%)		
Current	-	13,300
Overprovision in respect of prior years	10,000	-
	<u>10,000</u>	<u>13,300</u>
Deferred	18,600	3,500
	<u>28,600</u>	<u>16,800</u>

The tax assessed for the period is higher than the standard rate of 30% applying to companies in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	<u>(277,314)</u>	<u>(118,735)</u>
Loss on ordinary activities before tax multiplied by the tax rate of 30% in the UK	(83,194)	(35,621)
Effects of:		
Expenses not deductible for tax purposes	7,662	13,162
Accelerated capital allowances and other timing differences	57,896	3,582
Group relief surrendered not paid for	17,636	832
Tax at marginal rates	-	4,745
Over provision in respect of prior years	(10,000)	-
Total current tax credit	<u>(10,000)</u>	<u>(13,300)</u>

The company has surrendered tax losses free of charge to its fellow subsidiary companies and its parent company.

7 Tangible fixed assets

	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 August 2001	69,665	271,120	161,215	502,000
Additions	9,910	59,063	56,133	125,106
Disposals	-	-	(24,000)	(24,000)
At 31 July 2002	79,575	330,183	193,348	603,106
Depreciation				
At 1 August 2001	45,578	206,678	74,791	327,047
Charge for the year	5,866	22,476	21,997	50,339
Eliminated on disposals	-	-	(11,225)	(11,225)
At 31 July 2002	51,444	229,154	85,563	366,161
Net book amount				
At 31 July 2002	28,131	101,029	107,785	236,945
At 31 July 2001	24,087	64,442	86,424	174,953

The net book amount of tangible fixed assets includes an amount of £69,774 (2001: £68,758) in respect of assets held under finance leases and hire purchase contracts.

8 Investments

	2002 £	2001 £
Investment in subsidiary company at cost (see below)	170,000	-

The investment in subsidiary companies is comprised as follows:

Name of subsidiary company	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held
R&R (Roll Developments) Limited	UK	Ordinary shares of £1 each	100%

The company is not required to prepare consolidated financial statements due to the company and its subsidiary company qualifying as a medium sized group. The principal activity of R&R (Roll Developments) Limited is the supply of refurbished rolls for use in steel works. The annual accounts of this subsidiary company are prepared to 31 December. Financial information in respect of this subsidiary company can be summarised as follows:

	R&R (Roll Developments) Limited	
	31 December 2001 £	31 December 2000 £
Aggregate amount of capital and reserves	43,297	15,142
Profit for the financial year	28,155	14,741

9 Stocks

	2002 £	2001 £
Raw materials and consumables	47,259	75,384
Work in progress	259,422	251,672
	<u>306,681</u>	<u>327,056</u>

10 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Trade debtors (see (a) below)	1,197,077	809,374
Amounts owed by related companies (see (b) below)	380,113	500,832
Amounts owed by parent company (see note 22)	-	277,803
Prepayments and accrued income	798,041	371,177
Other debtors	9,098	945
	<u>2,384,329</u>	<u>1,960,131</u>

- (a) The trade debtors are subject to factoring arrangements whereby the legal title to the debt has been assigned to a factoring company (see note 11).
- (b) The amounts owed by related companies and the parent company are due from companies under the control of the directors of the company. The amounts of £380,113 (2001: £778,635) are interest-free and have no fixed terms for their repayment (see note 22). The Pontardawe Foundry and Engineering Company Limited, R & R Refractories Limited, R & R Group Limited, BHL Fabrications Limited and R & R (Roll) Developments Limited continue to be dependant on their future viability on the support of R & R Developments Limited.

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdrafts (secured)	255,501	289,928
Hire purchase and finance lease instalments due in one year	17,251	32,423
Factoring advances (see note 10 (a))	781,131	579,431
Trade creditors	145,078	253,966
Amounts owed to related companies (see note 22)	561,120	480,143
Taxation and social security payable	316,270	205,237
Accruals and deferred income	958,870	406,084
Directors' loan account (see below)	850	55,843
Former directors' loan account (see below)	14,194	-
	<u>3,050,265</u>	<u>2,303,055</u>

The former directors' loan account and directors' loan account are interest free, unsecured and have no fixed terms for their repayment.

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Former directors' loan account (see (a) below)	154,194	-
Obligations under hire purchase and finance lease contracts (see (b) below)	38,782	39,226
Less amounts falling due for repayment within one year	(31,445)	(32,423)
	<u>161,531</u>	<u>6,803</u>

(a) Former directors' loan account

An amount of £140,000 due to the former director is unsecured, interest free and the directors of the company has confirmed that the balance of the amount of £140,000 due to the former director will not be due for repayment with less than twelve months notice being given by the former director to the company.

(b) Hire purchase and finance leases

The future minimum hire purchase and finance lease payments to which the company is committed to under hire purchase and finance lease contracts are as follows:

	2002 £	2001 £
In one year or less	17,251	32,423
Between one and two years	12,567	6,803
Between two and five years	8,964	-
	<u>38,782</u>	<u>39,226</u>

13 Provisions for liabilities and charges

	Deferred taxation (see below) £
At 1 August 2001	18,600
Transfer to profit and loss account	(18,600)
At 31 July 2002	<u>-</u>

Deferred taxation

Deferred taxation provided in the financial statements, is as follows:

	Amount provided		Amount unprovided	
	2002 £	2001 £	2002 £	2001 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	24,000	19,800	-	-
Less losses	(24,000)	(1,200)	(39,300)	-
	<u>-</u>	<u>18,600</u>	<u>(39,300)</u>	<u>-</u>

The company has not provided for a deferred tax asset in view of the doubts over the recoverability of the asset.

13 Provisions for liabilities and charges (continued)

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current financial period.

Deferred tax is measured on a non-discounted basis and at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

14 Called-up share capital

	2002 £	2001 £
Authorised 4,000 ordinary shares of 25p each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 100 ordinary shares of 25p each	<u>25</u>	<u>25</u>

15 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	134,911	236,846
(Loss) for the year	<u>(248,714)</u>	<u>(101,935)</u>
Closing shareholders' (deficit)/funds	<u>(113,803)</u>	<u>134,911</u>

16 Capital commitments

The directors have neither contracted for nor authorised any capital expenditure which is not provided for in these financial statements.

17 Financial commitments

At 31 July 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Plant and equipment £	Land and buildings £	Plant and equipment £	Land and buildings £
Expiring in two to five years	-	-	1,590	-
Expiring in over five years	-	<u>15,000</u>	-	<u>15,000</u>
	<u>-</u>	<u>15,000</u>	<u>1,590</u>	<u>15,000</u>

18 Ultimate parent company

The directors regard R & R Group Limited, a company registered in the United Kingdom as the ultimate parent company. According to the register kept by the company R & R Group Limited has a 98% interest in the equity share capital of the company at 31 July 2002.

19 Analysis of changes in hire purchase and finance leases during the financial year

	2002 £	2001 £
At 1 August 2001	(39,226)	(61,146)
Inception of hire purchase and finance lease agreements	(42,401)	(12,837)
Repayment of principal on hire purchase and finance lease agreements	42,845	34,757
At 31 July 2002	(38,782)	(39,226)

20 Cash and cash equivalents

	2002 £	2001 £
Changes during the year		
At 1 August 2001	(868,130)	(862,510)
Net cash outflow	(168,464)	(5,620)
At 31 July 2002	(1,036,594)	(868,130)

Analysis of net debt

	2001 £	Cashflow £	Other non cash changes £	2002 £
Net cash				
Cash at bank and in hand	1,229	(1,191)	-	38
Bank overdraft	(289,928)	34,427	-	(255,501)
Factoring advances	(579,431)	(201,700)	-	(781,131)
	<u>(868,130)</u>	<u>(168,464)</u>	<u>-</u>	<u>(1,036,594)</u>
Debt				
Hire purchase and finance leases	(39,226)	42,845	(42,401)	(38,782)
Net debt	<u>(907,356)</u>	<u>(125,619)</u>	<u>(42,401)</u>	<u>(1,075,376)</u>

21 Ultimate control

The directors do not consider there to be an ultimate controlling party of R & R Developments Limited.

22 Related party transactions

The company has accrued management and service charges of £30,000 (2001: £30,000) due to, and management and service charges of £35,000 (2001: £35,000) due from, The Pontardawe Foundry and Engineering Company Limited, a company owned and controlled by directors of the company, D B Anthony, D F Pickering and S R I Liddle. The company has made purchases of £Nil (2001: £230) from The Pontardawe Foundry and Engineering Company Limited during the financial year. Accrued management and service charges of £60,000 (2001: £60,000) due to and management and service charges of £70,000 (2001: £70,000) due from The Pontardawe Foundry and Engineering Company Limited are included in creditors: amounts falling due within one year and debtors: amounts falling due within one year respectively.

The company has made purchases of £625,360 (2001: £426,211) and sales of £Nil (2001: £206,168) from R & R Refractories Limited, a fellow wholly owned subsidiary company, which is owned and controlled by D B Anthony, D F Pickering and S R I Liddle. The company has accrued amounts of £816,333 (2001: £218,168) due to R & R Refractories Limited in respect of work done by that company and has accrued management and service charges of £533,732 (2001: £436,568) due from R & R Refractories Limited. The company has charged £45,000 to R & R Refractories Limited which has been included in turnover in the financial year to 31 July 2002. At 31 July 2002 an amount of £32,427 (2001: £329,305) is due to R & R Refractories Limited.

The company has made purchases of £22,859 (2001: £2,904) from Pickering Safety Products Limited, a company in which A H Roberts and D F Pickering are joint owners. At 31 July 2002 an amount of £96,111 (2001: £78,702 due to Pickering Safety Products Limited) was due from this related company which is included in debtors: amounts falling due within one year at 31 July 2002.

The company has made purchases of £51,927 (2001: £40,480), including consultancy fees, from Positive Publicity Limited, a company in which D F Pickering is the director and shareholder. At 31 July 2002 an amount of £101,965 (2001: £26,492) was due to this related company which is included in creditors: amounts falling due within one year at 31 July 2002.

The company has paid consultancy fees of £Nil (2001: £17,253) to D F Pickering, a director and shareholder of the company.

During the year the company received interest free, unsecured loans of £850 (2001: £22,090) from D F Pickering, a director of the company, and this is included in creditors: amounts falling due within one year (see note 11).

The company has paid rent of £15,000 (2001: £15,000) for occupying a property owned by A H Roberts, a former director and shareholder of the company, from where the company trades. The company has paid consultancy fees of £37,144 (2001: £21,280) to A H Roberts. The company has recharged consultancy fees of £30,000 (2001: £30,000) to R & R Group Limited. The company has received interest-free, unsecured loans of £154,194 from A H Roberts and these are included in creditors: amounts falling due within one year (see note 11) and creditors: amounts falling due in more than one year (see note 12).

22 Related party transactions (continued)

The company has included £150,000 of work in progress completed on behalf of R & R Industrial Limited, a fellow wholly owned subsidiary company and these amounts were included in the results for the year ended 31 July 2002. The company has made purchases of £1,833,843 from R&R Industrial Limited, which is owned and controlled by D B Anthony, D F Pickering, S R I Liddle and A H Roberts. The company has accrued amounts of £93,300 due from R&R Industrial Limited in respect of work done for that company. At 31 July 2002 an amount of £425,719 is due to R&R Industrial Limited and this is included in creditors: amounts falling due within one year.

The company has made the following loans to related companies which are owned and controlled by D B Anthony, D F Pickering and S R I Liddle and which are included in debtors: amounts falling due within one year at 31 July 2002:

	2002 £	2001 £
The Pontardawe Foundry and Engineering Company Limited	-	344,495
R & R Group Limited	-	277,803
	<u>-</u>	<u>622,298</u>

The company has accrued management charges due to R & R Group Limited of £Nil (2001: £52,000).

The company has received the following loans from related companies which were owned and controlled by A H Roberts until July 2002 and which are included in creditors: amounts falling due within one year at 31 July 2002:

	2002 £	2001 £
R & R (Roll Developments) Limited	<u>1,009</u>	<u>36,435</u>

The company has made purchases of £Nil (2001: £69,345) and sales of £Nil (2001: £33,935) to R & R (Roll Developments) Limited, a company which was owned and controlled by A H Roberts. The company has accrued amounts of £Nil (2001: £Nil) due to R & R (Rolls Developments) Limited in respect of work done by that company and has accrued management and service charges of £51,000 (2001: £Nil) due from R & R (Roll Developments) Limited.

The company has made purchases of £138,257 (2001: £51,044) from BHL Fabrications Limited including tangible fixed assets of £70,250 and sales of £185,194 (2001: £100,957), to BHL Fabrications Limited in which S R I Liddle is a director and is owned and controlled by A H Roberts and D F Pickering. At 31 July 2002 an amount of £284,002 (2001: £145,380) was due from this related company which is included in debtors: amounts falling due within one year. The company has accrued management charges due from BHL Fabrications Limited of £50,000 (2001: £Nil).

The company's bankers hold a mortgage over a life policy in the name of A H Roberts for £100,000 and the bankers hold a trading premises of the company which is owned by A H Roberts as security for the company's bank borrowings.

The company acquired the whole of the ordinary share capital of R&R (Roll Developments) Limited from A H Roberts for a consideration of £170,000. This acquisition is recorded as an investment at 31 July 2002.

23 Post balance sheet event

Subsequent to the end of the financial year the company became a wholly owned subsidiary company of Celtic Management Limited.